

Framework for a Housing Needs Analysis

Economists view housing as a bundle of services for which people are willing to pay. Those services include shelter certainly, but also proximity to other attractions (jobs, shopping, recreation), amenity (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced by both economic forces and government policy. Moreover, different households will value what they can get differently. They will have different preferences, which in turn are a function of many factors like income, age of household head, number of people and children in the household, number of workers and job locations, number of automobiles, and so on.

Thus, housing choices of individual households are influenced in complex ways by dozens of factors; and the housing market in Newport is the result of the individual decisions of thousands of households. These points suggest the difficulties of projecting what types of housing will be built between 2011 and 2031.

The complexity of a housing market is a reality, but it does not obviate the need for some type of forecast of future housing demand and need, and for an assessment of the implications of that forecast for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need. Thus, we start our housing analysis with a framework for thinking about housing and residential markets, and how public policy affects those markets.

A.1 HOUSING DEMAND VERSUS NEED

The language of Goal 10 and ORS 197.296 refers to housing *need*: it requires communities to provide needed housing types for households at all income levels. Goal 10's broad definition of need covers all households – from those with no home to those with second homes.

State policy does not make a clear distinction between need and demand. Following is our definition, which we believe to be consistent with definitions in state policy:

- *Housing need* can be defined broadly or narrowly. The broad definition is based on the mandate of Goal 10 that requires communities to plan for housing that meets the needs of households at all income levels. Goal 10, though it addresses housing, emphasizes the impacts on the households that need that housing. Since everyone needs shelter, Goal 10 requires that a jurisdiction address, at some level, how every household will be affected by the housing market over a 20-year period. Public agencies that provide housing assistance (primarily the Department of Housing and Urban Development – HUD, and the Oregon Housing and Community Services Department – HCS) define housing need more narrowly. For them, households in need do not include most of the households that can purchase or rent housing at an “affordable” price, consistent with the requirements of their household characteristics. Households that cannot find and afford such housing have need: they are either unhoused, in housing of substandard condition, overcrowded, or paying more than their income and federal standards say they can afford.
- *Housing market demand* is what households demonstrate they are willing to purchase in the market place. Growth in population means growth in the number of households and implies an increase in demand for housing units. That demand is met, to the extent it is, primarily by the construction of new housing units by the private sector based on its judgments about the types of housing that will be absorbed by the market. ORS 197.296 includes a market demand component: buildable land needs analyses must consider the density and mix of housing developed over the previous five years or since their most recent periodic review, whichever is greater. In concept, what got built in that five-year period was the *effective demand for new housing*: it is the local equilibrium of demand factors, supply factors, and price.

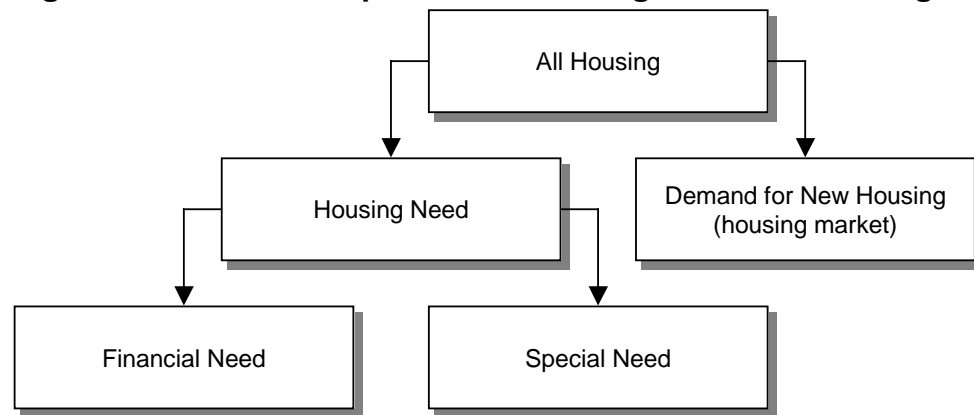
In short, a housing needs analysis should make a distinction between housing that people might need (a normative, social judgment) and what the market will produce (an observable outcome).

Goal 10 does not make a clear distinction between the existing stock of housing and new housing. Because a lot of Goal 10 (and Goal 9, the Economy) is aimed at Goal 14 (Urbanization) and a determination of whether more land should be added to urban growth boundaries, there is usually more emphasis on *new* housing, which will require buildable land.

In essence, a Goal-10 evaluation looks at (1) new households that the population forecasts presume will be living in a jurisdiction 20 years in the future, (2) estimates a number of new (“needed”) housing units, by type, and (3) estimates the amount of land they will consume when they are constructed.

Figure A-1 distinguishes between housing needs that are unmet and those that are met via market transactions. Housing need is the total number of housing units required to shelter the population. In that sense, housing need is approximately the number of households: every household needs a dwelling place. Some housing need is met through market transactions without much government intervention because households have the income to *demand* (purchase) housing services (as owners or renters). That demand is shown in the box on the right. Other households, however, have needs unmet, usually because they lack the resources to purchase housing services (financial need), but because of special needs as well (though, even here, the issue is still one of financial resources).

Figure A-1. Relationship between housing need and housing demand



Most housing market analyses and housing elements of comprehensive plans in Oregon make forecasts of new demand (what housing units will get built in response to market forces). Work by housing authorities is more likely to address housing need for special classes, especially low-income. It is the role of cities under Goal 10 to adopt and implement land use policies that will encourage provision of housing units that meet the needs of all residents.

It is unlikely that housing markets in any metropolitan area in the U.S. provide housing to meet the needs of every household. Even many upper-income households probably believe they "need" (want) more housing than their wealth and income allows them to afford. A typical standard, used by housing agencies around the country, is *excess cost burden*: does a household

spend more than 30% of its income on housing? But even that standard may not comport with a common-sense notion of housing need: if upper income households are spending 40% of their income on housing because they are highly leveraged, betting on increases in property value, and have substantial wealth that they can invest in mortgage payments, do they have a housing need?

Independent of a strict legal interpretation, it is clear that any housing agency is focused on more basic housing needs. At the extreme there is homelessness: some people do not have any shelter at all. Close behind is substandard housing (with health and safety problems), space problems (the structure is adequate but overcrowded), and economic and social problems (the structure is adequate in quality and size, but a household has to devote so much of its income to housing payments that other aspects of its quality of life suffer). Location can also be a burden—households that live farther from work and shopping opportunities will have to spend more money on transportation. Moreover, while some new housing is government-assisted housing, public agencies do not have the financial resources to meet but a small fraction of that need. New housing does not, and is not likely to, fully address all these needs because housing developers, like any other business, strive for profits.

In fact, many of those needs are much more likely to be satisfied by existing housing: the older, used stock of structures that is usually less expensive per square foot than new housing. Thus, forecasting the type of new units that might be built in a region (by type, size, and price) is unlikely to bear any relationship to the type of housing to which most people with acute housing needs will turn to solve their housing problems. One key reason for this is that the cost of building new housing (land, services, materials, labor) is such that it is not “affordable” to low-income households at a price that recovers cost, much less one that generates normal profit. This “trickle-down” effect is well known among housing specialists. In most communities a quick comparison of new home prices with income distributions will underscore the fact that developers tend to focus on the move-up market and not on entry-level housing.

Viewed in the light of those definitions (e.g., housing demand and housing need), the requirements of Goal 10 need clarification. Goal 10 mandates that communities plan for housing that meets the needs of households at all income levels. Thus, Goal 10 implies that everyone has a housing need. As we have noted, however, it is hard to justify spending public resources on the needs of high-income households: they have the income to purchase (demand) adequate housing services in the housing market. The housing they can afford may not be everything they want, but most policymakers

would agree that the difference does not classify as the same kind of need that burdens very-low-income households.

In the context of the statewide land use program, planning for housing is addressed through local comprehensive plans and development codes. Moreover, state policy places some restrictions on what local governments can do. For example, ORS 197.309 prohibits local governments from requiring housing meet certain price points (often called inclusionary zoning).¹ In other words, cities are limited to regulating housing types and densities that correspond roughly to housing costs. It is important to note that increased density can decrease housing costs, but high density housing is not always low cost housing.

This study is not the place to resolve debates about definitions of housing need and the purposes of Goal 10. Our analysis of need addresses the Goal 10 requirements regarding financial need (ability to obtain housing) for future households as well as those households whose circumstances suggest that they will have special problems in finding adequate and affordable housing services. That analysis occurs after, and largely independent of, the forecast of new housing that is likely to be built to supply effective demand.

In summary, Goal 10 intends that cities and counties identify housing need and develop a land use policy framework that meets identified needs. One of the key issues that is addressed in a housing needs analysis is how much land is needed for different housing types, and therefore must be designated for different housing types. Providing sufficient land in the proper designations is one of the most fundamental land use tools local governments have to meet housing need.

¹ ORS 197.309 states: "...a city, county or metropolitan service district may not adopt a land use regulation or functional plan provision, or impose as a condition for approving a permit under ORS 215.427 or 227.178, a requirement that has the effect of establishing the sales price for a housing unit or residential building lot or parcel, or that requires a housing unit or residential building lot or parcel to be designated for sale to any particular class or group of purchasers."

A.2 WHAT IS AFFORDABLE HOUSING?

The terms “affordable” and “low-income” housing are often used interchangeably. These terms, however, have different meanings:

- *Affordable housing* refers to a household’s ability to find housing within its financial means. A number of indicators exist that can be used to determine whether housing is affordable. One indicator is cost burden: households that spend more than 30% of their income on housing and certain utilities are considered to experience *cost burden*.² Any household that pays more than 30% experiences cost burden and does not have *affordable* housing. Thus, affordable housing applies to all households in the community.
- *Low-income housing* refers to housing for “low-income” households. HUD considers a household low-income if it earns 80% or less of median family income. In short, low-income housing is targeted at households that earn 80% or less of median family income.

These definitions mean that any household can experience cost burden and that affordable housing applies to all households in an area. Low-income housing targets low-income households. In other words, a community can have a housing affordability problem that does not include only low-income households.

Many (maybe most) households that experience cost burden are composed of people who have jobs and are otherwise productive members of society. A household earning 80% of median family income in Newport earns about \$40,000 annually – or about \$19.00 per hour for a full-time employee. Based on HUD affordability standards, the maximum affordable purchase price for a household earning \$40,000 annually is about \$120,000. Depending on household size, many of these households are eligible for government housing assistance programs.

In summary, any household can face housing affordability problems. Because they have more limited financial means, the incidence of cost burden is higher among low-income households. Statewide planning Goal 10 requires cities to adopt policies that encourage housing at price ranges

² Cost burden is a concept used by HUD. Utilities included with housing cost include electricity, gas, and water, but do not include telephone expenses. All of the indicators ECO has reviewed, including cost burden, have limitations that can distort results. Cost burden does not consider the impact of household size or accumulated assets. As a result a single-person household with an annual income of \$20,000 and accumulated assets of \$500,000 would be in the same category as a family of seven with an annual income of \$20,000 and no accumulated assets.

commensurate with incomes. State land use policy does not distinguish between households of different income levels and requires cities to adopt policies that encourage housing for all households.

A.3 WHAT OBJECTIVES DO HOUSING POLICIES TYPICALLY TRY TO ACHIEVE?

The *Practice of State and Local Planning*³ classifies goals that most government housing programs address into four categories:

- *Community life.* From a community perspective, housing policy is intended to provide and maintain safe, sanitary, and satisfactory housing with efficiently and economically organized community facilities to service it. In other words, housing should be coordinated with other community and public services. Although local policies do not always articulate this, they are implicit in most local government operations. Comprehensive plans, zoning, subdivision ordinances, building codes, and capital improvement programs are techniques most cities use to manage housing and its development. Local public facilities such as schools, fire and police stations, parks, and roads are usually designed and coordinated to meet demands created by housing development.
- *Social and equity concerns.* The key objective of social goals is to reduce or eliminate housing inadequacies affecting the poor, those unable to find suitable housing, and those discriminated against. In other words, communities have an obligation to provide safe, satisfactory housing opportunities to all households, at costs they can afford, without regard to income, race, religion, national origin, family structure, or disability.
- *Design and environmental quality.* The location and design of housing affect the natural environment, residents' quality of life, and the nature of community life. The objectives of policies that address design and environmental quality include neighborhood and housing designs that meet: household needs, maintain quality of life, provide efficient use of land and resources, reduce environmental impacts, and allow for the establishment of social and civic life and institutions. Most communities address these issues through local building codes, comprehensive land use plans, and development codes.

³ *The Practice of Local Government Planning, 2nd Edition*, International City Managers Association, 1988.

- *Stability of production.* Housing is a factor in every community's economy. The cyclical nature of housing markets, however, creates uncertainties for investment, labor, and builders. The International City Manager's Association suggests that local government policies should address this issue – most do not. Moreover, external factors (e.g. interest rates, cost of building materials, etc.) that bear upon local housing markets tend to undermine the effectiveness of such policies.

Despite the various federal and state policies regulating housing, most housing in the U.S. is produced by private industry and is privately owned. While the land use powers of local government have been an important factor in the production of housing, the role of local government has largely focused on regulation for public health and safety and provision of infrastructure. More recently, awareness has grown regarding the impact policies and regulations have had on the other aspects of community life such as costs of transportation and other infrastructure, access of residents to services and employment, and social interactions.

A.4 FRAMEWORK FOR DETERMINING WHETHER RESIDENTIAL LAND IS SUFFICIENT (STATE REQUIREMENTS)

The passage of the Oregon Land Use Planning Act of 1974 (ORS Chapter 197), established the Land Conservation and Development Commission (LCDC), and the Department of Land Conservation and Development (DLCD). The Act required the Commission to develop and adopt a set of statewide planning goals. Goal 10 addresses housing in Oregon and provides guidelines for local governments to follow in developing their local comprehensive land use plans and implementing policies.

At a minimum, local housing policies must meet the requirements of Goal 10 (ORS 197.295 to 197.314, ORS 197.475 to 197.490, and OAR 600-008).⁴ Goal 10 requires incorporated cities to complete an inventory of buildable residential lands⁵ and to encourage the availability of adequate numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households.

⁴ Newport is not required to comply with all of the implementing policies for Goal 10 (e.g., ORS 197.296) because the City's population is less than 25,000.

⁵ The definition of buildable residential land from OAR 660-008 is presented in the glossary in Appendix A.

Goal 10 defines needed housing types as “housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels.” ORS 197.303, which applies to Newport, defines needed housing types:

- (a) Housing that includes, but is not limited to, attached and detached single-family housing and multiple family housing for both owner and renter occupancy;
- (b) Government assisted housing;⁶
- (c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490; and
- (d) Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.

The scope of this project is to complete the technical work for a housing needs analysis for the Newport UGB, in advance of the City entering periodic review

1. **Population forecast.** Lincoln County does not have a coordinated, adopted population forecast. The housing needs analysis used a safe harbor methodology to forecasting population growth in which a city may adopt a 20-year population forecast based on the Oregon Office of Economic Analysis’s (OEA) population forecast for the County, assuming that the urban area’s share of the forecast population will remain constant over the planning period (OAR 660-024-0030(4)(b)). The method for developing this forecast is described in Appendix E.
2. **Housing Needs Analysis.** ECONorthwest conducted a housing needs analysis based on the requirements of Goal 10 and OAR 660-008. The housing types that used in the housing needs analysis included those defined in ORS 197.303: single-family detached, single-family attached, multifamily, mobile or manufactured housing in parks and on lots, and government assisted housing. The HNA uses the following aggregations housing types: single-family detached (including manufactured home), single-family attached dwellings, and multifamily housing (including duplexes, tri- and quad-plexes, and structures with more than five units. Additionally, the HNA evaluates secondary dwellings (e.g., vacation units) and government assisted housing. The housing needs analysis includes:

⁶ Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

- A) **Project new housing units needed.** We projected needed housing units based on forecast population growth for the Newport UGB between 2011 and 2031. We considered other factors, such as number of people expected to live in group quarters, household size, housing mix, and vacancy rates.
 - B) **Identify trends that may affect housing mix and density.** We reviewed national, state, and local demographic and economic trends that may affect housing mix and density. These trends include: changes in housing tenure, changes in housing mix, changes in the region's age structure, changes in ethnicity, changes in housing prices and recent increases in mortgage foreclosures, and other trends.
 - C) **Determine types of housing that are likely to be affordable.** We reviewed trends in housing affordability, such as changes in income, changes in housing price, changes in rental costs, rate of cost-burden, and housing affordability by type of housing for households of different incomes.
 - D) **Estimate the number of units needed by housing type.** The estimate of the number of units needed by housing type will be based on the information described in 3 A through C.
- 3. **Determine actual mix and density of existing housing.** The analysis of housing mix and density of existing housing is based on analysis of building permits and land that was developed since 2000.
 - 4. **Determine average density and mix of needed housing.** ECO developed a preliminary housing needs projection that documents "needed" density and mix for future housing needs based on the conclusions about housing need from the housing needs analysis.
 - 5. **Determine residential land sufficiency.** We compared the needed acres of residential land with the inventory of residential land in each Plan Designation to determine whether there is enough land within the UGB to accommodate 20-years' worth of growth.

Regional and Local Trends Affecting Newport's Housing Need

This appendix contains background information and analysis necessary for a housing needs analysis. The appendix is organized into the following sections:

- Demographics
- Housing Affordability

DEMOGRAPHIC TRENDS

POPULATION GROWTH

Newport's population has grown over the last two decades. Table B-1 shows population change in selected areas in Newport, Lincoln County, and Oregon between 1990 and 2010. Over the 20-year Newport added over 2,000 people, a 26% increase in population, at an average annual rate of 1.4%. Newport grew at a slower rate (1.8% per year) than Oregon (1.9% per year), but faster than Lincoln County (0.8% per year).

Table B-1. Population change, Oregon, Lincoln County, and Newport, 1990 to 2010

Area	Population			Change 1990 to 2010		
	1990	2000	2010	Number	Percent	AAGR
U.S.	248,709,873	281,421,906	301,461,533	52,751,660	21%	1.1%
Oregon	2,842,321	3,421,399	3,844,195	1,001,874	35%	1.9%
Lincoln County	38,889	44,479	44,620	5,731	15%	0.8%
Newport	8,437	9,532	10,605	2,168	26%	1.4%

Source: U.S. Census 1990 SF1 P001, U.S. Census 2000 SF1 P1, Portland State University Population Research Center 2010 Certified Oregon Population Estimates.

Note: AAGR is average annual growth rate.

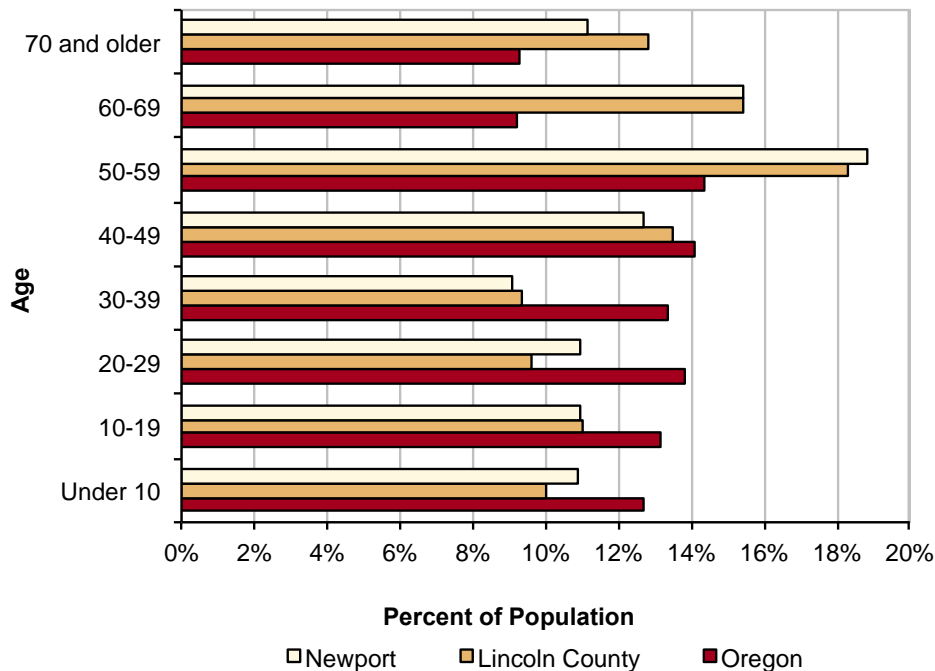
Data from the 2010 Census of Population and Housing was just becoming available at the time the population element was being updated. It is notable that the 2010 Census count for the City of Newport was 9,989 – or 616 persons less than the 2010 population estimate developed by Portland State University. If one assumes the Census count is correct, then the PSU estimates have overestimated population in Newport since 2005 (or earlier).

AGE

Figure B-1 shows the age distribution in Newport, compared to Lincoln County and Oregon, for the 2005-2009 period. Newport has a higher

proportion of its population aged 50 or older (45%) than State (33%) averages. Newport has comparatively fewer residents below age 39 (42%) than the State (53%), but more than the County (40%). The affect of Newport's age distribution for housing need is described later in this section.

Figure B-1. Population distribution by age, Oregon, Lincoln County, and Newport, 2005-2009



Source: American Community Survey 2005-2009 5-year estimates B01001

In comparison to nearby communities, Newport has a smaller share of children and people over 65 years but a larger share of working-aged persons:

- Nineteen percent of Newport households have one or more people under the age of 18. Nearby cities generally have a larger percentage of households with one or more people under the age of 18, including Siletz (25%) and Toledo (35%).
- Nineteen of the city's residents were over the age of 65. Outlying communities with the largest percent of persons 65 and over were Yachats (42%), Waldport (29%) and Depoe Bay (21%).
- Just over fifty percent of the city's residents are of working age (20-60 years old)⁷

⁷ Based on information from the U.S. Census 2005-2009 American Community Survey.

Table B-2 shows population by age for Newport for 2000 and the 2005-2009 period. The data show that Newport grew by 329 people between 2000 and 2005-2009, a 3% increase. The age breakdown shows that the fastest growing age groups in Newport were aged 45 to 64 years and 65 and over, consistent with County and State trends. The number of people under 44 years old decreased in Newport.

Table B-2. Population by age, Newport, 2000 and 2005-2009

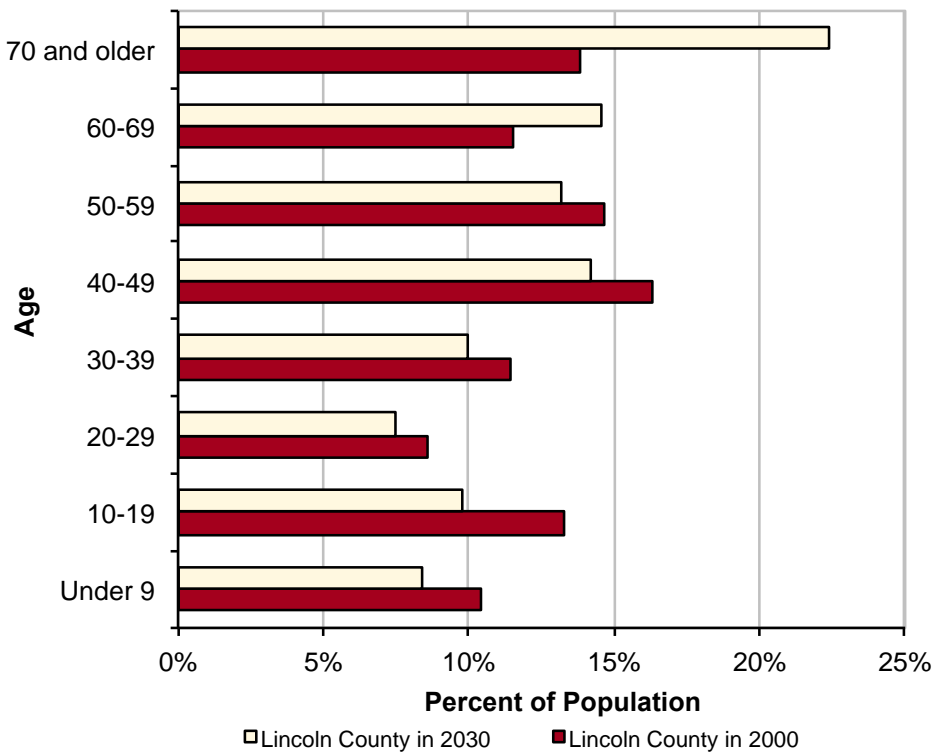
Age Group	2000		2005-2009		Change 2000 to 2005-2009		
	Number	Percent	Number	Percent	Number	Percent	Share
Under 5	533	6%	476	5%	-57	-11%	-1%
5-17	1,590	17%	1,497	15%	-93	-6%	-1%
18-24	770	8%	656	7%	-114	-15%	-1%
25-44	2,452	26%	2,087	21%	-365	-15%	-5%
45-64	2,548	27%	3,245	33%	697	27%	6%
65 and over	1,639	17%	1,900	19%	261	16%	2%
Total	9,532	100%	9,861	100%	329	3%	0%

Source: U.S. Census 2000 P12, American Community Survey 2005-2009 B01001

The data in Table B-2 suggests that Newport's population is aging and that the City is attracting older people and with growth concentrated in people 45 years and older. This trend is consistent with State and national trends.

Figure B-2 shows the Office of Economic Analysis's (OEA) forecast of population by age group for 2000 to 2030 for Lincoln County. The OEA forecasts that Lincoln County will experience growth in younger age groups. The share of population in people 60 years and older is forecast to increased from 25% of the population in 2000 to 37% of the population in 2030. The share of population 29 years and younger is forecast to decrease from 32% in 2000 to 26% in 2030.

Figure B-2. Change in population distribution by age, Lincoln County, 2000-2030



Source: Oregon Office of Economic Analysis.
http://www.oregon.gov/DAS/OEA/docs/demographic/pop_by_ageandsex.xls

HOUSEHOLD COMPOSITION

HOUSEHOLD SIZE

The average household size decreased statewide over the past five decades. The average household size in Oregon was 2.60 in 1980, 2.52 in 1990, 2.51 in 2000 and 2.49 in 2005-2009. One and two person households accounted for the majority of Oregon households in 1990. The direct impact of decreasing household size on housing demand is that smaller households results in more households, which means a need for more housing units even if population were not growing.

Table B-3 shows average household size in Oregon, Lincoln County, and Newport for 2000 and 2005-2009. Table B-3 shows that the 2000 Census estimated that Newport had 2.25 persons per household. The 2005-2009 American Community Survey estimated that household size decreased to 2.19 persons per household. This decrease in household size is consistent with County and State trends.

Table B-3. Average household size, Oregon, Lincoln County, and Newport, 2000 and 2005-2009

	Oregon	Lincoln County	Newport
2000			
Average household size	2.51	2.27	2.25
Owner-occupied units	2.59	2.24	2.17
Renter-occupied units	2.36	2.34	2.34
2005-2009			
Average household size	2.49	2.27	2.19
Owner-occupied units	2.58	2.27	2.28
Renter-occupied units	2.32	2.28	2.05

Source: U.S. Census 2000 H12, American Community Survey 2005-2009 B25010

HOUSEHOLD COMPOSITION

Table B-4 shows household composition in Oregon, Lincoln County, and Newport. In the 2005-2009 period, 19% of Newport's households had children, compared with 18% of Lincoln County's households and 28% of Oregon's households. Newport had a smaller share of households with married couples (43%), with and without children, than the State (50%) or County (48%). Newport had a larger share of non-family households (44%) than the County average (41%) or State average (36%).

Table B-4. Household composition, Oregon, Lincoln County, and Newport, 2005-2009

Household Type	Oregon		Lincoln County		Newport	
	Number	Percent	Number	Percent	Number	Percent
Households with children	413,712	28%	3,483	18%	826	19%
Married-couple family	290,855	20%	2,298	12%	415	9%
Female householder, no husband present	90,071	6%	930	5%	338	8%
Other families	32,786	2%	255	1%	73	2%
Households without children	1,050,484	72%	16,405	82%	3,627	81%
Married-couple family	440,699	30%	7,112	36%	1,501	34%
Other families	81,533	6%	1,053	5%	180	4%
Nonfamilies	528,252	36%	8,240	41%	1,946	44%
Total Households	1,464,196	100%	19,888	100%	4,453	100%
Average Household Size	2.70		2.53		2.64	

Source: American Community Survey 2005-2009 B25115

ETHNICITY

Newport has grown more ethnically diverse since 1990. Table B-5 shows the number of persons of Hispanic or Latino origin for Oregon, Lincoln County, and Newport for 1990, 2000, and the 2005-2009 period. In the 2005-2009 period, Newport's population was 8% Hispanic/Latino, compared with 7% of residents of Lincoln County and 11% of residents of Oregon.

The Hispanic/Latino population in Lincoln County grew faster than the State as a whole from 1990 to 2005-2009. Newport's Hispanic/Latino population grew by 385% between 1990 and 2005-2009, adding 650 new

Hispanic/Latino residents. During the same period, Lincoln County's Hispanic/Latino population grew by 455% and Oregon's Hispanic/Latino population grew by 249%.

Table B-5. Persons of Hispanic or Latino origin, Oregon, Lincoln County, and Newport, 1990, 2000, and 2005-2009

	Oregon	Lincoln County	Newport
1990			
Total Population	2,842,321	38,889	8,437
Hispanic or Latino	112,707	598	169
Percent Hispanic or Latino	4%	2%	2%
2000			
Total Population	3,421,399	44,479	9,532
Hispanic or Latino	275,314	2,119	854
Percent Hispanic or Latino	8%	5%	9%
2008			
Total Population	3,727,407	45,892	9,861
Hispanic or Latino	393,466	3,316	819
Percent Hispanic or Latino	11%	7%	8%
Change 1990 to 2008			
Hispanic or Latino	280,759	2,718	650
Percent Hispanic or Latino	249%	455%	385%

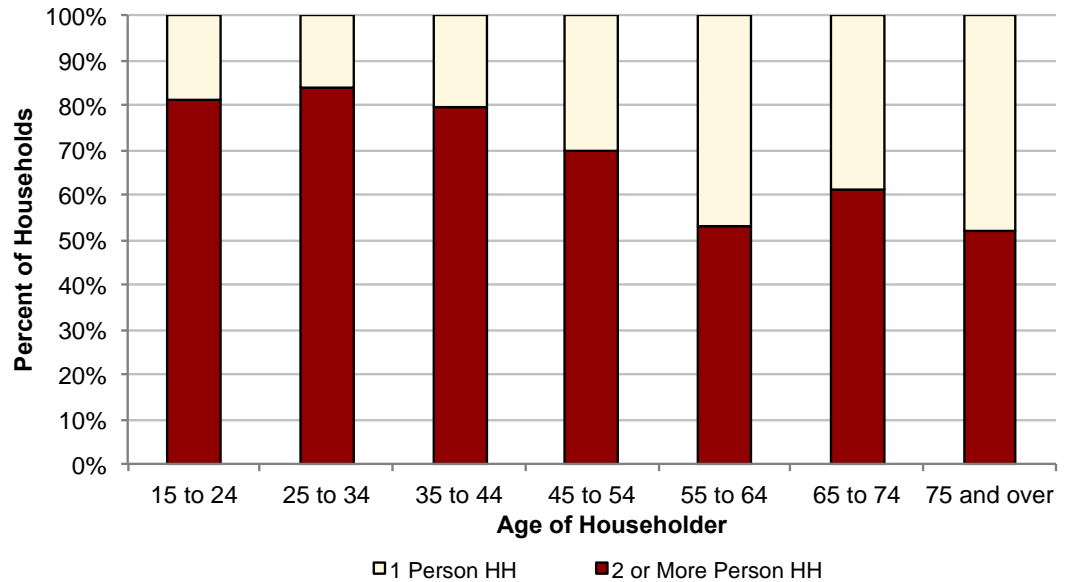
Source: U.S. Census 1990 STF1 P009, U.S. Census 2000 P4, American Community Survey 2005-2009 B03002

RELATIONSHIP BETWEEN DEMOGRAPHICS AND HOUSING CHOICE

Housing needs change throughout a person's life, with changes in income, family composition, and age. The types of housing needed by a 20-year-old college student are different than the needs of a 40 year old parent with children or an 80 year old single-person. Figures B-3 through 5 show characteristics of households by household size and by age of householder for Newport. These figures show the relationship between age, household size and tenure. While these figures show information about Newport's households in 2000 (the most recent data available for this analysis), the information about housing choice shown in these figures is unlikely to have changed substantially since 2000 because these relationships change very slowly over decades.

Figure B-3 shows households by household size and age of householder in Newport in 2000. Householders age 54 and younger are most likely to live in households with two or more people. Householders 55 years and older are more likely to live in single-person households. Almost half of householders age 75 years and older live in single-person households.

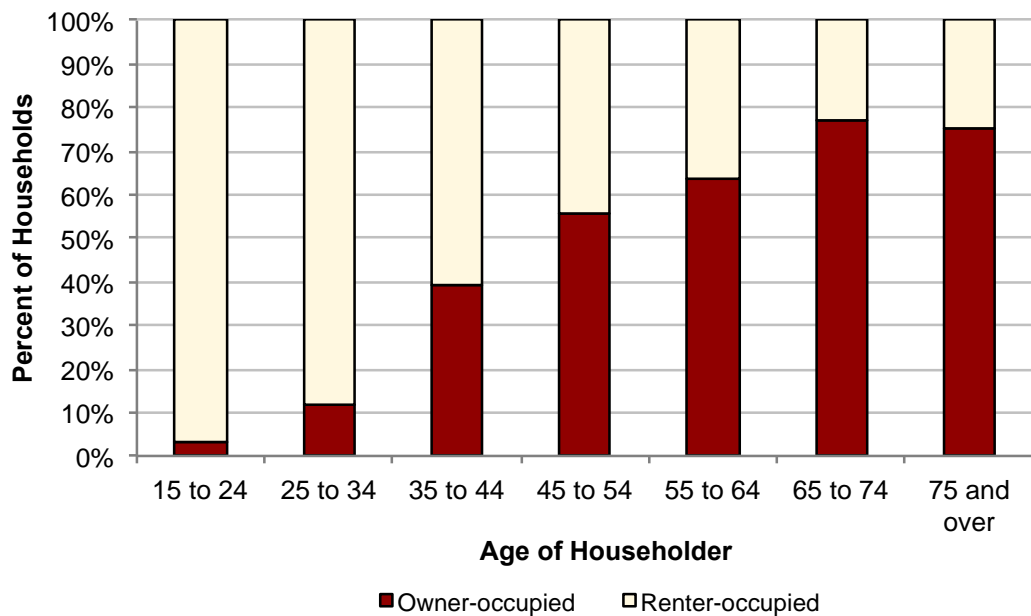
Figure B-3. Households by household size and age of householder, Newport, 2000



Source: U.S. Census 2000 SF3 HCT2

Figure B-4 shows households by tenure and age of householder in Newport in 2000. Newport was split between owner-occupied units (51% of total) and renter-occupied households (49%). More than half of householders aged 45 and older were homeowners. Homeownership peaked between age 65 and 74 (at 77%), leveling off at 75% at age 75 and over. The information in Figure B-4 suggests that people over 65 prefer to continue being homeowners past traditional retirement ages.

Figure B-4. Households by tenure and age of householder, Newport, 2000

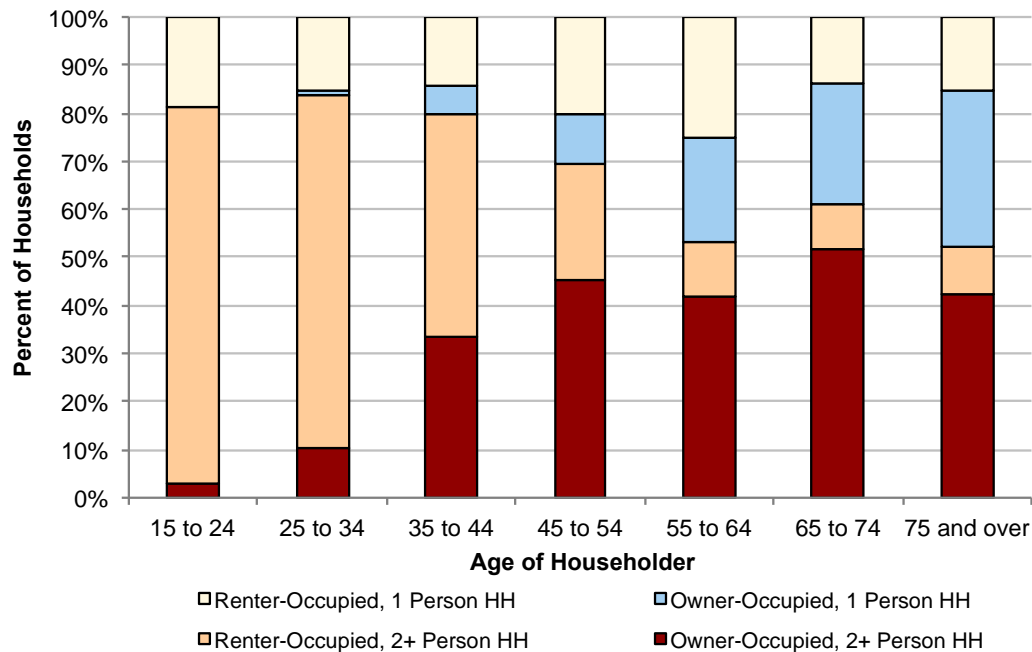


Source: U.S. Census 2000 SF3 HCT2

Figure B-5 shows households by tenure, size, and age of householder in Newport in 2000. Figure 5 shows that:

- Householders 45 years and younger were more likely to live in households with 2 or more persons.
- Householders age 45 and older were more likely to be homeowners.
- Householders 65 years and older were more likely to be homeowners with two or more persons than other age groups.
- Householders younger than 44 years were more likely than other age groups to be renters with two or more persons in their household.

Figure B-5. Households by household size, tenure, and age of householder, Newport, 2000



Source: U.S. Census 2000 SF3 HCT2

OTHER TRENDS AFFECTING HOUSING DEMAND

COMMUTING PATTERNS

Table B-6 and Figure B-6 show where residents of Newport worked in 2008. Table B-6 shows that 68% of residents of Newport worked in Lincoln County, with 50% working in Newport.

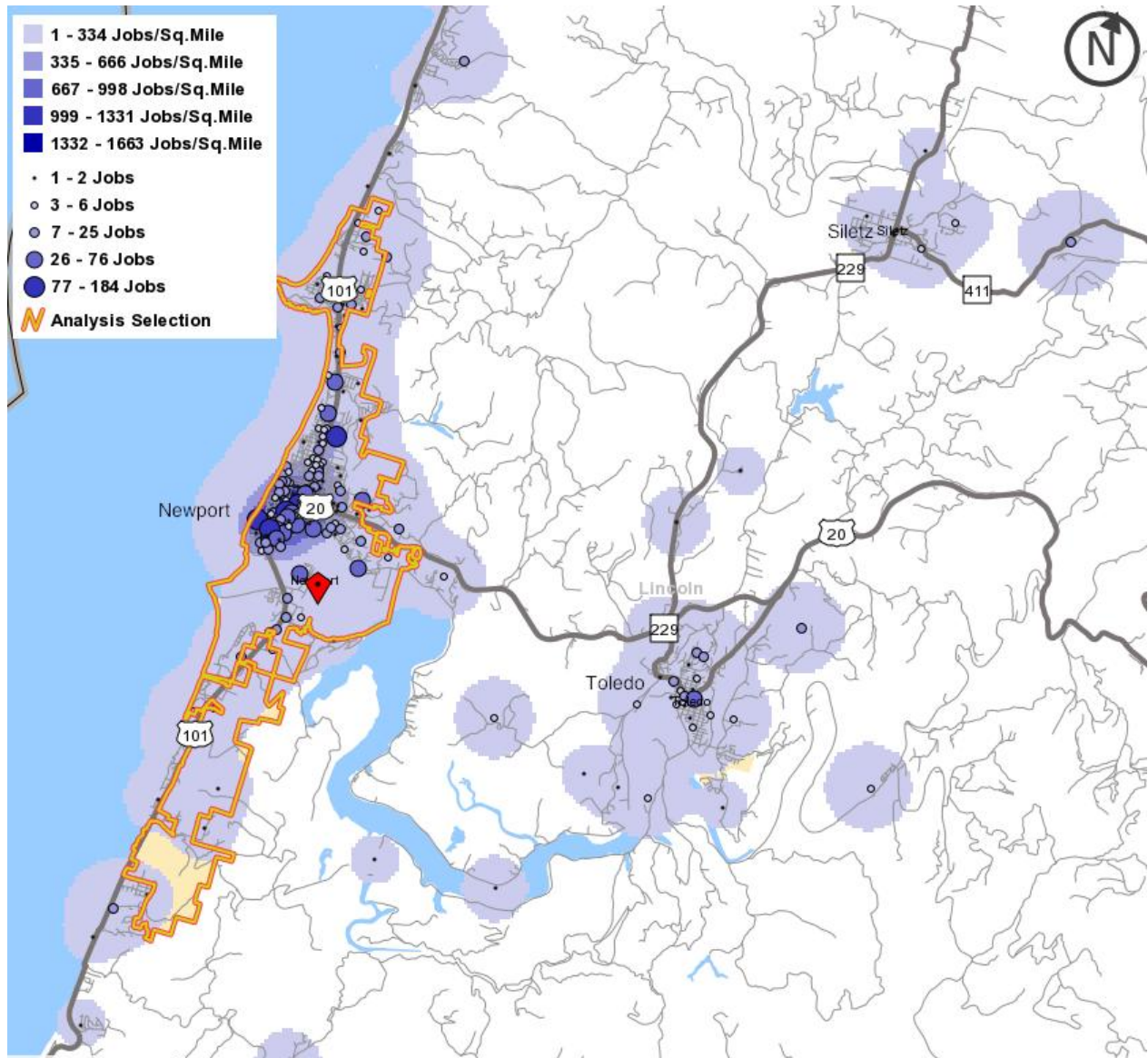
Table B-6. Places where residents of Newport were employed, 2008

Location	Number	Percent
Lincoln County	2,672	68%
Newport	1,968	50%
Toledo	163	4%
Lincoln City	128	3%
Multnomah County	223	6%
Marion County	190	5%
Washington County	152	4%
Benton County	117	3%
Clackamas County	100	3%
All other counties	463	12%
Total	3,917	100%

US Census Bureau, LED Origin-Destination Data Base (2008)

Note: "All other counties" include, but are not limited to, the counties of Clatsop, Linn, Lane, and Jackson. There are less fewer than 100 residents commuting from each of these counties.

Figure B-6. Places where residents of Newport were employed, 2008



US Census Bureau, LED Origin-Destination Data Base (2008)

Table B-7 and Figure B-7 show that most workers in Newport live in Lincoln County, with about 30% living in Newport, 10% in Toledo, 3% in Lincoln City, and the remainder in other parts of Lincoln County. Table B-7 shows that majority of Newport's workforce lives in Lincoln County, with more than two-thirds of Newport's workforce commuting from outside of Newport.

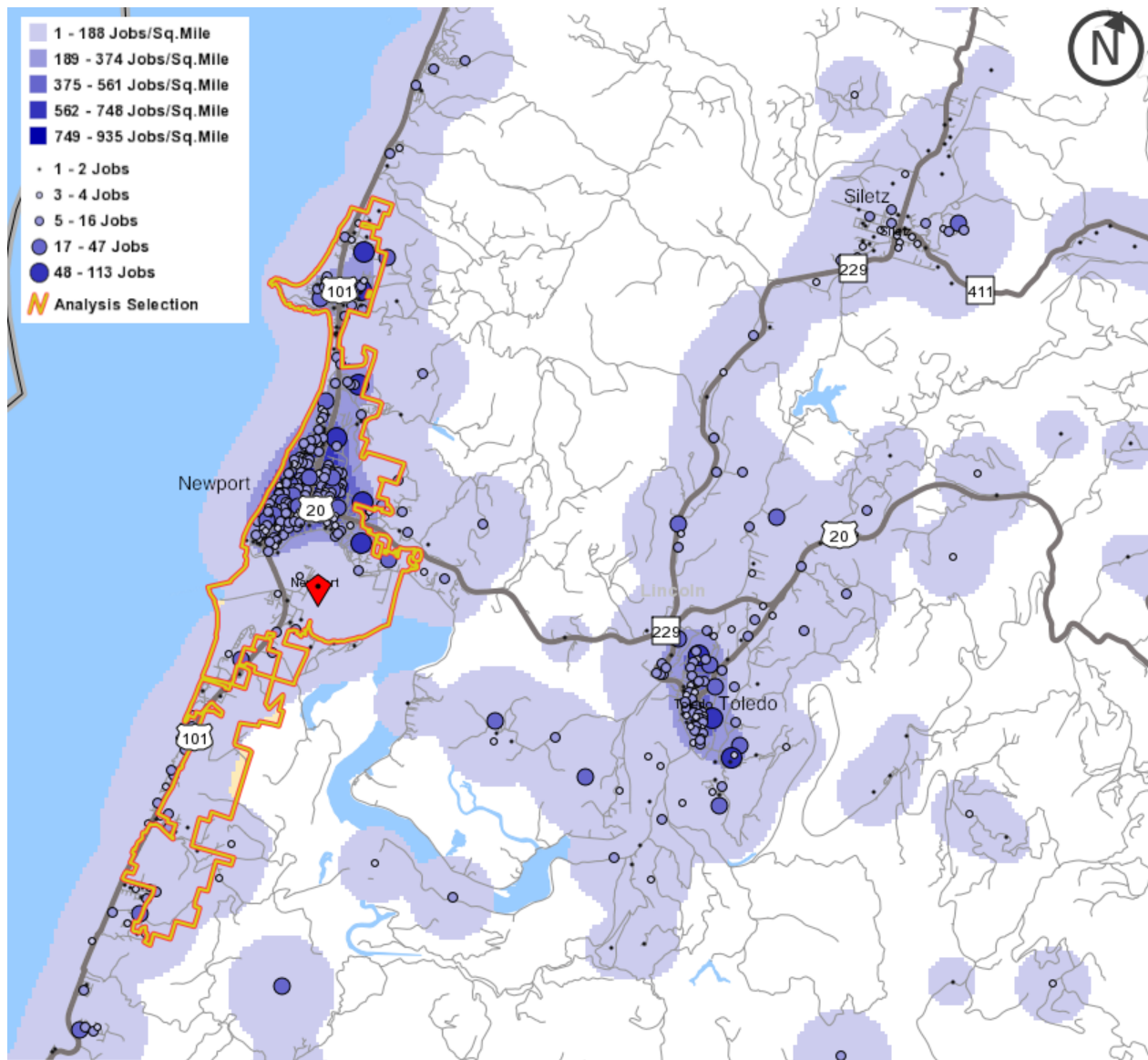
Table B-7. Places where workers in Newport lived, 2008

Location	Number	Percent
Lincoln County	4,501	70%
Newport	1,968	31%
Toledo	654	10%
Lincoln City	181	3%
Lane County	335	5%
Benton County	219	3%
Linn County	218	3%
All other counties	1,136	18%
Total	6,409	100%

US Census Bureau, LED Origin-Destination Data Base (2008)

Note: "All other counties" include, but are not limited to Marion, Washington, Multnomah, Clackamas, Jackson, and Deschutes County. There are 100 or fewer residents commuting from each of these counties.

Figure B-7. Places where workers in Newport lived, 2008



US Census Bureau, LED Origin-Destination Data Base (2008)

The information in the preceding tables show that Newport is a regional economic center, with about 6,400 people who work in the City. About half of working residents of Newport work in Newport but only 30% of Newport's workers also live in Newport. This shows Newport is a net-importer of workers, with 70% of the City's workforce commuting from outside the City and about 30% of workers commuting from outside Lincoln County.

VACANCY AND SECOND HOMES

The Joint Center for Housing Studies suggests that an aging population, baby boomers in particular, will drive changes in the age distribution of households in all age groups over 55 years. A recent survey of baby boomers showed that more than a quarter plan to relocate into larger homes and 5% plan to move to smaller homes.

The younger baby boomers face challenges resulting from the decrease in housing values, which has left many households with mortgages that are higher than the worth of the house. It may take years for the value of these houses to equal or exceed the value of the mortgage. Second home demand among upper-income homebuyers of all ages also continues to grow, many of whom may be younger baby boomers. The ability to purchase second homes may be negatively affected by diminished earnings and lack of equity in primary homes.

It is unclear what housing choices the echo boomers will make. Some studies suggest that their parents' negative experience in the housing market, with housing values dropping so precipitously and so many foreclosures, will make echo boomers less likely to become homeowners. In addition, high unemployment and underemployment may decrease echo boomers' earning power and ability to save for a down payment. It is not clear, however, that echo boomers' housing preferences will be significantly different from their parents over the long run.

Table B-8 shows that vacancy rates in Newport ranged from about 13.6% in 1990 to 18.3% in 2000, and 19.4% in the 2005-2009 period. The apparent increase in vacancy rates in Newport suggests that vacancies for seasonal or recreational use have become more common over time.

**Table B-8. Vacancy Status for Newport
1990, 2000, 2005-2009**

	1990	2000	2005- 2009
Occupied	86%	82%	81%
Vacant	14%	18%	19%
For Sale	1%	2%	1%
For Rent	2%	6%	2%
Seasonal	6%	9%	16%
Other	4%	2%	1%

Source: U.S. Census 1990 SF3 H005, 2000 SF 3 H5, and American Community Survey 2005-2009 B25004

Newport's vacancy rate is higher than the State average. In 2000, the Oregon average vacancy rate was 8% and during the 2005-2009 period it was 9%. About 3% of Oregon's dwellings were vacant for seasonal uses in 2000 and the 2005-2009 period.

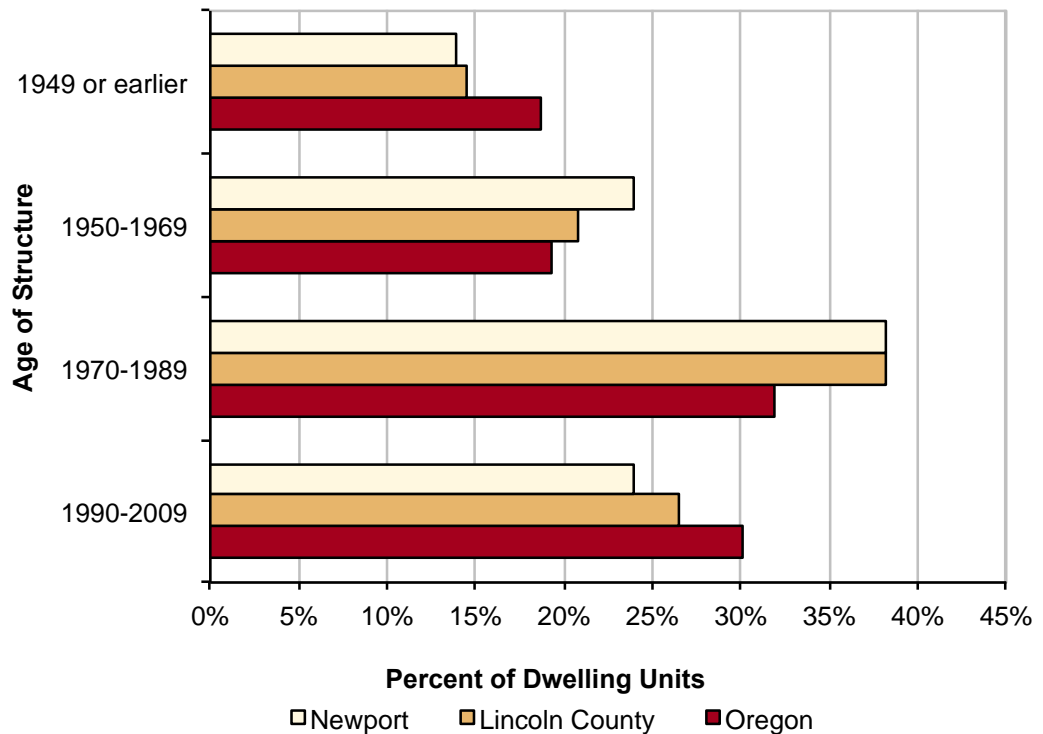
AGE OF HOUSING STOCK

Anecdotal information from City staff and housing stakeholders suggests that the condition of rental housing in Newport is poor. The condition of rental housing combined with the higher rental costs (relative to nearby communities) negatively affects potential renters' willingness to rent in Newport.

Information about the condition of rental housing in Newport is not generally available. The age of housing stock is one indication of housing condition. Figure B-8 shows the age of the housing stock in Oregon, Lincoln City, and Newport. Figure B-8 shows that a larger share of Newport's housing stock was built between 1950 and 1969 (38%) compared to the State average (32%). A smaller share of Newport's housing stock was built between 1990 to 2009 (24%) compared to the State average (30%).

According to Census data, the median year built for Newport's housing stock was 1976, with the median year built for owner-occupied housing of 1978 and the median year built for renter-occupied housing of 1974. On average, renter-occupied housing is about four years younger than owner-occupied housing. For comparison, the median year built for housing in Oregon is 1976 for both owner-occupied housing and renter-occupied housing.

Figure B-8. Age of Housing Stock, Oregon, Lincoln County, and Newport, 2005-2009



Source: U.S. Census American Community Survey 2005-2009 B25034

Note: The information above includes age of all housing, including vacant housing.

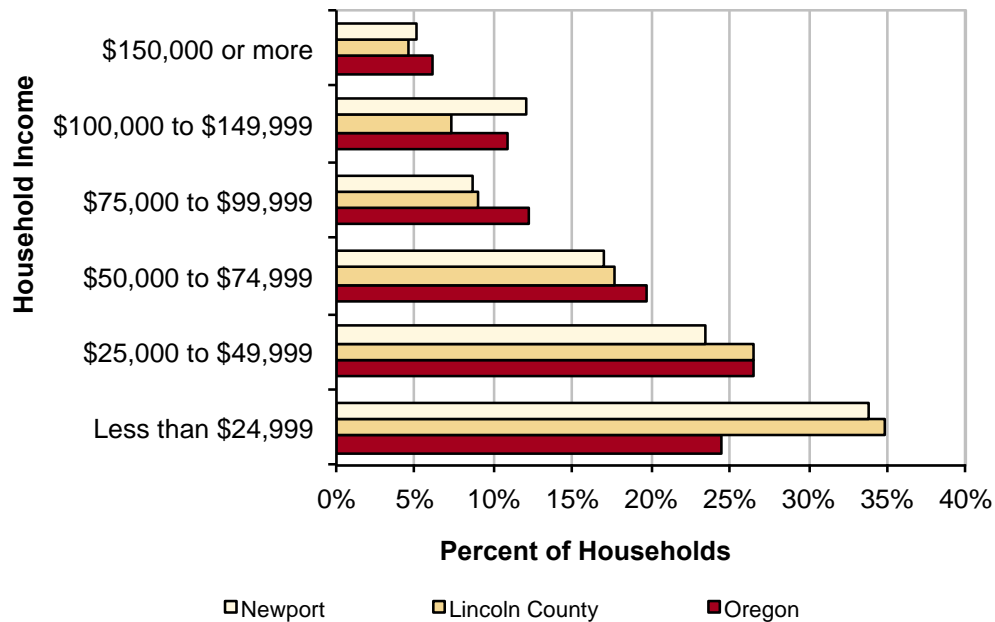
HOUSING AFFORDABILITY

INCOME

This section summarizes regional and local income and housing cost trends. Income is one of the key determinants in housing choice and households' ability to afford housing. A review of historical income and housing price trends provides insights into the local and regional housing markets.

Figure B-9 shows the distribution of household income in Oregon, Lincoln County, and Newport for the 2005-2009 period. Newport and Lincoln County generally had a larger share of households with income of \$50,000 or less (57% and 61% respectively) compared with the State average (51%). Newport had a similar share of households with income over \$100,000 as the State (17%)

Figure B-9. Household Income, Oregon, Lincoln County, and Newport, 2005-2009



Source: American Community Survey, 2005-2009; Table B19001

A typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of household income for housing, including payments and interest or rent, utilities, and insurance. HUD guidelines indicate that households paying more than 30% of their income on housing experience “cost burden” and households paying more than 50% of their income on housing experience “severe cost burden.” Using cost burden as an indicator is consistent with the Goal 10 requirement of providing housing that is affordable to all households in a community.

According to the U.S. Census, about 7,700 households in Lincoln County – over 40% – paid more than 30% of their income for housing expenses in the 2005-2009 period. Table B-9 shows housing costs as a percent of income by tenure for Newport households during the 2005-2009 period. The data show that about 39% of Newport households experienced cost burden during the 2005-2009 period. The rate was much higher for renters (51%) than for homeowners (30%).

Table B-9. Housing cost as a percentage of household income, Newport, 2005-2009

Percent of Income	Owners		Renters		Total	
	Number	Percent	Number	Percent	Number	Percent
Less than 20%	1,183	46%	472	28%	1,655	39%
20% - 24%	320	12%	125	7%	445	10%
25% - 29%	284	11%	239	14%	523	12%
30% - 34%	130	5%	179	10%	309	7%
35% or more	644	25%	698	41%	1,342	31%
Total	2,561	100%	1,713	100%	4,274	100%
Cost Burden	774	30%	877	51%	1,651	39%

Source: American Community Survey 2005-2009 B25070 B25091

In comparison, 40% of Lincoln County's households were cost burdened during the 2005-2009 period, with 55% of renter households cost burdened and 33% of owner households cost burdened. The State average of cost burden was 39%, with 50% of renter households cost burdened and 33% of owner households cost burdened.

While cost burden is a common measure of housing affordability, it does have some limitations. Two important limitations are:

- A household is defined as cost burdened if the housing costs exceed 30% of their income, regardless of actual income. The remaining 70% of income is expected to be spent on non-discretionary expenses, such as food or medical care, and on discretionary expenses. Households with higher income may be able to pay more than 30% of their income on housing without impacting the household's ability to pay for necessary non-discretionary expenses.
- Cost burden compares income to housing costs and does not account for accumulated wealth. As a result, the estimate of how much a household can afford to pay for housing does not include the impact of accumulated wealth a household's ability to pay for housing. For example, a household with retired people may have relatively low income but may have accumulated assets (such as profits from selling another house) that allow them to purchase a house that would be considered unaffordable to them based on the cost burden indicator.

Cost burden describes the amount that a household pays for shelter. Households have other necessary expenses, such as food, transportation, clothing, utilities, health care, other necessities, as well as optional expenses, such as recreation. Cost burden decreases the amount of income available to pay for necessary expenses. The cost of necessities varies throughout Oregon and affects a household's ability to live in a given City.

- Annual average household expenditures in Newport is about \$38,100, not including housing.
- Newport's expenditures is about the same or higher than small cities in the Willamette Valley. For example, average household expenditures in Lebanon is about \$33,400 (\$4,700 less than Newport), \$32,900 in Cottage Grove (\$5,200 less than Newport), or \$39,300 in Silverton (\$1,200 more than Newport).
- Expenditures in Newport are comparable to expenses in larger cities in the Willamette Valley. Average household expenditures in Eugene and Salem are \$39,300 (\$1,200 more than Newport) and \$38,000 in Corvallis (\$200 less than Newport).
- The types of expenses that are most frequently higher in Newport than in the smaller cities in the Willamette Valley are transportation (including gasoline), food, utilities, and health care.⁸

Cost burden is only one indicator of housing affordability. Another way of exploring the issue of financial need is to review wage rates and housing affordability. Table B-10 shows an illustration of affordable housing wage and rent gap for households in Lincoln County at different percentages of median family income (MFI). The data are for a typical family of four. The results indicate that a household must earn \$14.60 an hour to afford a two-bedroom unit according to HUD's market rate rent estimate.

Table B-10. Illustration of affordable housing wage and rent gap by HUD income categories for a two-bedroom rental unit, Lincoln County, 2010

Value	Minimum Wage	30% MFI	50% MFI	80% MFI	100% MFI	120% MFI
Annual Hours	2080	2080	2080	2080	2080	2080
Derived Hourly Wage	\$8.40	\$7.21	\$12.02	\$19.23	\$24.04	\$28.85
Annual Wage At Minimum Wage	\$17,472	\$15,000	\$25,000	\$40,000	\$50,000	\$60,000
Annual Affordable Rent	\$5,242	\$4,500	\$7,500	\$12,000	\$15,000	\$18,000
Monthly Affordable Rent	\$437	\$375	\$625	\$1,000	\$1,250	\$1,500
HUD Fair Market Rent (2 Bedroom)	\$759	\$759	\$759	\$759	\$759	\$759
Is HUD Fair Market Rent Higher Than The Monthly Affordable Rent?	Yes	Yes	No	No	No	No
Rent Paid Monthly OVER 30% of Income	\$322	\$384	na	na	na	na
Rent Paid Annually OVER 30% of Income	\$3,866.40	\$4,608	na	na	na	na
Percentage of Income Paid OVER 30% of Income for Rent	22%	31%	na	na	na	na
Total Spent on Housing	52%	61%	36%	23%	18%	15%
For this area what would the "Affordable Housing Wage" be?	\$14.60	\$14.60	\$14.60	\$14.60	\$14.60	\$14.60
The Affordable Housing Wage Gap IS:	\$6.20	\$7.38	\$2.58	na	na	na

Source: U.S. Department of Housing and Urban Development, <http://www.huduser.org/DATASETS/il/il09/index.html>, <http://www.huduser.org/datasets/fmr.html>

MFI: Median family income, FMR: Fair market rent

Table B-11 shows this same analysis for the year 2000 in Lincoln County. The affordable housing wage gap during the 2005-2009 period was larger

⁸ The information about expenses is from the Oregon Prospector web site, the State of Oregon's economic development web site. For more information, see: <http://oregonprospector.com/>

than it was in 2000 for those earning minimum wage or 30% MFI. The affordable housing hourly wage increased from \$9.88 to \$14.60 over the 10-year period, an increase of nearly \$5 or nearly 50%.

Table B-11. Illustration of affordable housing wage and rent gap by HUD income categories for a two-bedroom rental unit, Lincoln County, 2000

Value	Minimum Wage	30% MFI	50% MFI	80% MFI	100% MFI	120% MFI
Annual Hours	2080	2080	2080	2080	2080	2080
Derived Hourly Wage	\$6.50	\$5.22	\$8.70	\$13.92	\$17.40	\$20.88
Annual Wage At Minimum Wage	\$13,520	\$10,860	\$18,100	\$28,960	\$36,200	\$43,440
Annual Affordable Rent	\$4,056	\$3,258	\$5,430	\$8,688	\$10,860	\$13,032
Monthly Affordable Rent	\$338	\$272	\$453	\$724	\$905	\$1,086
HUD Fair Market Rent (2 Bedroom)	\$514	\$514	\$514	\$514	\$514	\$514
Is HUD Fair Market Rent Higher Than The Monthly Affordable Rent?	Yes	Yes	No	No	No	No
Rent Paid Monthly OVER 30% of Income	\$176	\$243	na	na	na	na
Rent Paid Annually OVER 30% of Income	\$2,112.00	\$2,910	na	na	na	na
Percentage of Income Paid OVER 30% of Income for Rent	16%	27%	na	na	na	na
Total Spent on Housing	46%	57%	34%	21%	17%	14%
For this area what would the "Affordable Housing Wage" be?	\$9.88	\$9.88	\$9.88	\$9.88	\$9.88	\$9.88
The Affordable Housing Wage Gap IS:	\$3.38	\$4.66	\$1.18	na	na	na

Source: U.S. Department of Housing and Urban Development, <http://www.huduser.org/DATASETS/il/il09/index.html>,
<http://www.huduser.org/datasets/fmr.html>

MFI: Median family income, FMR: Fair market rent

Table B-12 shows a rough estimate of affordable housing cost and units by income levels for Newport during the 2005-2009 period based on Census data about household income, the value of owner occupied housing in Newport, and rental costs in Newport. Several points should be kept in mind when interpreting this data:

- Affordable monthly housing costs and estimate of affordable purchase prices are based on HUD income standards and assume that a household will not spend more than 30% of household income on housing costs. Some households pay more than 30% of household income on housing costs, generally because they are unable to find more affordable housing or because wealthier households are able to pay a larger share of income for housing costs.
- HUD's affordability guidelines for Fair Market Rent are based on median family income and provide a rough estimate of financial need. These guidelines may mask other barriers to affordable housing such as move-in costs, competition for housing from higher income households, and availability of suitable units. They also ignore other important factors such as accumulated assets, purchasing housing as an investment, and the effect of down payments and interest rates on housing affordability.
- Households compete for housing in the marketplace. In other words, affordable housing units are not necessarily *available* to low income households. For example, if an area has a total of 50 dwelling units that are affordable to households earning 30% of median family income, 50%

of those units may already be occupied by households that earn more than 30% of median family income.

The data in Table B-13 indicate that in the 2005-2009 period:

- About 19% of Newport households could not afford a studio apartment according to HUD's estimate of \$521 as fair market rent;
- More than one-third of Newport households could not afford a two-bedroom apartment at HUD's fair market rent level of \$759;
- A household earning median family income (\$50,000) could afford a home valued up to about \$125,000.

Table B-12. Rough estimate of housing affordability, Newport, 2005-2009

Income Level	Number of HH	Percent	Affordable Monthly Housing Cost	Crude Estimate of Affordable Purchase Owner-Occupied Unit	Est. Number of Owner Units	Est. Number of Renter Units	Surplus (Deficit)	HUD Fair Market Rent (FMR) in 2008
Less than \$10,000	528	12%	\$0 to \$250	\$0 to \$25,000	210	65	(253)	
\$10,000 to \$14,999	317	7%	\$250 to \$375	\$25,000 to \$37,000	33	140	(145)	
								Studio: \$521
\$15,000 to \$24,999	659	15%	\$375 to \$625	\$37,500 to \$62,500	27	531	(101)	1 bdrm: \$595
\$25,000 to \$34,999	416	9%	\$625 to \$875	\$62,500 to \$87,500	47	615	246	2 bdrm: \$759
								3 bdrm: \$1,052
\$35,000 to \$49,999	628	14%	\$875 to \$1,250	\$87,500 to \$125,000	135	309	(184)	4 bdrm: \$1,188
\$50,000 to \$74,999	759	17%	\$1,250 to \$1,875	\$125,000 to \$187,500	366	60	(334)	
Lincoln Count 2010 MFI: \$50,000			\$1,250	\$150,000				
\$75,000 to \$99,999	384	9%	\$1,875 to \$2,450	\$187,500 to \$245,000	426	35	77	
\$100,000 to \$149,999	536	12%	\$2,450 to \$3,750	\$245,000 to \$375,000	579	11	54	
\$150,000 or more	226	5%	More than \$3,750	More than \$375,000	854	11	639	
Total	4,453	100%			2,676	1,777	0	

Sources: American Community Survey 2005-2009, HUD Section 8 Income Limits, HUD Fair Market Rent.

Based on Oregon Housing & Community Services. Housing Strategies Workbook: *Your Guide to Local Affordable Housing Initiatives*, 1993.

Notes: FMR-Fair market rent; bdrm - bedrooms

The conclusion based on the data presented in Table B-13 is that in the 2005-2009 period, Newport had a deficit of nearly 500 affordable housing units for households that earn less than \$5,000 annually. The next section examines changes in housing cost between 2000 and 2009.

CHANGES IN HOUSING COSTS

HOUSING VALUES

Table B-14 shows change in median housing value in Lincoln County and Newport for the 1990 to 2000 period and 2000 to 2005-2009 period. Housing prices nearly doubled between 1990 and 2000 in Newport from \$68,400 in 1990 to \$132,100 in 2000, increasing by more than \$63,000 or 93%. Lincoln County's housing prices increased by almost \$68,000 or 98% over the same period.

Between 2000 and the 2005-2009 period, Newport's housing prices doubled again from \$132,100 in 2000 to nearly \$264,000 during the 2005-2009 period, increasing by just under \$132,000 or 100%. Lincoln County's housing prices increased by \$96,600 or 71% over the same period.

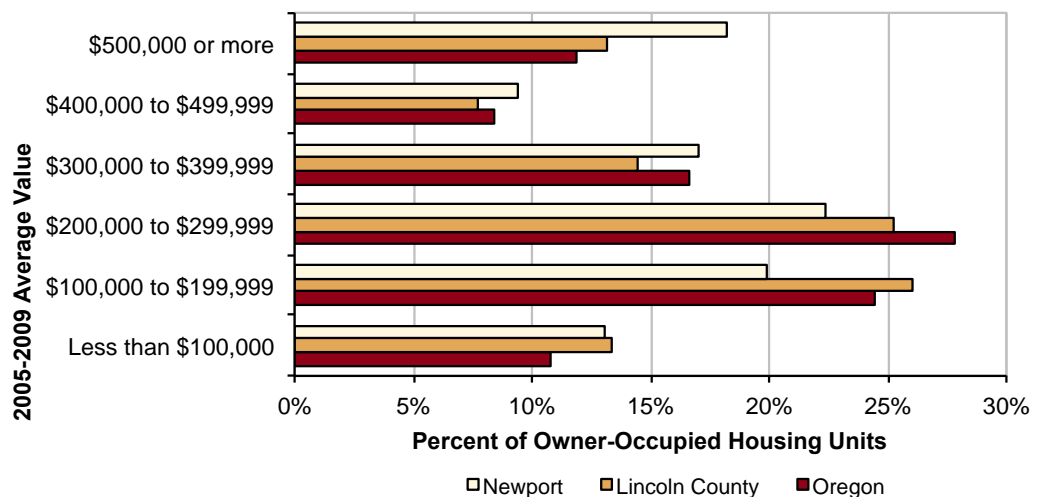
Table B-13. Median housing value, owner-occupied housing units, Lincoln County and Newport, 1990 to 2005-2009

Year	Lincoln County	Newport
1990	\$69,100	\$68,400
2000	\$136,900	\$132,100
2005-2009	\$233,500	\$263,900
Change 1990 to 2000		
Amount	\$67,800	\$63,700
Percent	98%	93%
Change 2000 to 2005-2009		
Amount	\$96,600	\$131,800
Percent	71%	100%

Source: U.S. Census 1990 H061A, U.S. Census 2000 SF3 H85, U.S. Census American Community Survey 2005-2009 B25077

Figure B-10 shows a comparison of housing value for owner-occupied housing units in Oregon, Lincoln County, and Newport for the 2005-2009 period. Newport had a smaller share of housing valued between \$200,000 to \$400,000 (39%), compared to the State (45%). Newport had a smaller share of housing valued less than \$200,000 (13%) than the State (35%). Newport had a larger share of housing valued more than \$400,000 (28%) than the State (20%) or County (21%).

Figure B-10. Housing value, owner-occupied housing units, Oregon, Lincoln County, and Newport, 2005-2009



Source: American Community Survey, 2005-2009; Table B25075

Table B-14 shows change in the average sales price by housing type for Newport, based on sales recorded in the Multiple Listing Service (MLS), a

tool used by real estate agents for selling residential properties. Table B-14 shows:

- **Single-family dwellings** accounted for 64% of dwellings sold over the 10-year period. Average single-family prices increased from about \$158,700 in 2000 to \$233,200 in 2010, an increase of \$74,500 or 47%. Single family sales prices peaked in 2007 (at \$348,800) and decreased by 33% between 2007 and 2010.
- **Manufactured dwellings** accounted for 13% of dwellings sold over the 10-year period. Average single-family prices increased from about \$80,900 in 2000 to \$125,300 in 2010, an increase of \$44,400 or 55%. Manufactured dwelling sales prices peaked in 2007 (at \$174,200) and decreased by 28% between 2007 and 2010.
- **Condominium or Town Homes** accounted for 23% of dwellings sold over the 10-year period. Average single-family prices increased from about \$99,700 in 2000 to \$170,000 in 2010, an increase of \$70,300 or 71%. Condominium and town home sales prices peaked in 2008 (at \$366,200) and decreased by 54% between 2008 and 2010.

Table B-14. Average sales price by housing type, Newport, 2000 to 2010

Year	Single-family dwellings		Manufactured		Condominium or Town Home	
	Number Sold	Average Sales Price	Number Sold	Average Sales Price	Number Sold	Average Sales Price
2000	87	\$158,697	28	\$80,909	39	\$99,692
2001	94	\$164,561	15	\$83,533	25	\$148,864
2002	125	\$171,762	18	\$83,475	35	\$166,521
2003	122	\$193,193	30	\$97,747	27	\$207,030
2004	181	\$222,348	26	\$116,948	33	\$233,048
2005	152	\$270,998	36	\$124,810	49	\$233,310
2006	123	\$330,555	22	\$154,350	54	\$257,899
2007	88	\$348,803	14	\$174,171	66	\$320,619
2008	62	\$282,404	11	\$146,455	21	\$366,186
2009	60	\$279,381	7	\$150,200	38	\$253,824
2010	62	\$233,218	20	\$125,300	22	\$170,018
Total Units Sold 2000 to 2010						
Number of Units	1,156		227		409	
% of All Units Sold	64%		13%		23%	
Average Annual Sold	105		21		37	
Change in Average Sales Price 2000 to 2010						
Amount		\$74,521		\$44,391		\$70,326
Percent Change		47%		55%		71%

Source: Multiple Listing Service (MLS), 2011

The housing prices shown in Table B-14 are average sales prices, which can be affected by unusually high or low sales price. For example, the sale of

one or two relatively expensive dwellings (e.g., dwellings worth more than \$500,000) can increase the overall average sales price for the year. In addition, the average sales prices over the 2007 to 2010 period may be especially low if homeowners of high priced homes have chosen to wait to sell their home until the housing market recovers.

HOUSING RENTAL COSTS

Table B-15 shows the median contract rent for Lincoln County cities. Median contract rent in Newport was \$586 during the 2005-2009 period. The highest median contract rents from the 2005-2009 Community Survey were in Yachats and Depoe Bay. The lowest median contract rents were in Siletz and Waldport.

Table B-15. Median contract rent, Lincoln County cities, 2005-2009

Location	Rent
Siletz	\$317
Waldport	\$539
Lincoln City	\$556
Toledo	\$562
Lincoln County	\$572
Newport	\$586
Depoe Bay	\$608
Yachats	\$700

Source: U.S. American Community Survey 2005-2009 B25058

Table B-16 shows median contract rent for Lincoln County and Newport in 1990, 2000 and the 2005-2009 period. Rent increased from 2000 to 2005-2009 by \$74 (14%) in Newport, and \$62 (12%) in Lincoln County.

Table B-16. Median contract rent, Lincoln County and Newport, 1990 to 2005-2009

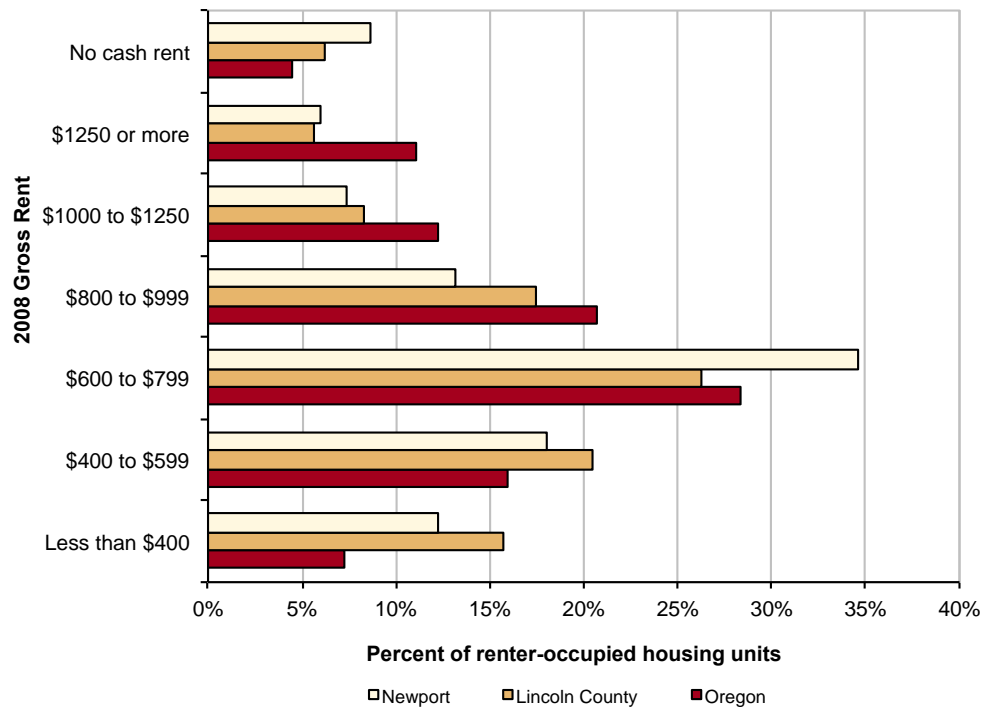
	Lincoln County	Newport
1990*	\$376	\$380
2000	\$510	\$512
2005-2009	\$572	\$586
Change 2000 to 2005-2009		
Amount	\$62	\$74
Percent	12%	14%

Source: U.S. Census 2000 SF3 H56, U.S. Census 1990 H032B
American Community Survey 2005-2009 B25058

* Note, 1990 is median GROSS rent, not contract rent.

Figure B-11 shows a comparison of gross rent⁹ for renter-occupied housing units in Oregon, Lincoln County, and Newport in the 2005-2009 period. Newport had a larger share of rental units costing less than \$800 per month (65%) than the State average (51%) and the County average (62%). Newport had a smaller share of rental units costing between \$800 to \$1,250 per month (21%) than the County average (26%) or the State average (33%).

Figure B-11. Gross rent, renter-occupied housing units, Oregon, Lincoln County, and Newport, 2005-2009



Source: American Community Survey, 2005-2009; Table B25063

The implications of the data shown above are that ownership costs are increasing much faster than rents and incomes. Table B-17 underscores this trend for Newport. Between 1990 and 2000, incomes increased about 33% while median owner value increased 117%. Rents increased 51%. Since 2000, the data show housing costs have increased faster than incomes, with a 31% increase in median household income, compared to a 14% increase in median rents and 77% increase in median owner value. Finally, the results show that the median owner value was 2.8 times median household income in 1989—a figure that increased to 6.3 during the 2005-2009 period.

⁹ The U.S. Census defines gross rent as “The amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid for by the renter (or paid for the renter by someone else).”

Table B-17. Comparison of income, housing value, and gross rent, Newport, 1990, 2000, and 2005-2009

Indicator	1989	1999	2005-2009	Change	
				1989 to 1999	1999 to 2005-2009
Median HH Income	\$ 24,137	\$ 31,996	\$ 41,896	33%	31%
Median Family Income	\$ 30,510	\$ 36,682	\$ 57,004	20%	55%
Median Owner Value	\$ 68,400	\$ 148,700	\$ 263,900	117%	77%
Median Gross Rent	\$ 380	\$ 572	\$ 651	51%	14%
Percent of Units Owned	54%	51%	58%		
Ratio of Housing Value to Income					
Median HH Income	2.8	4.6	6.3		
Median Family Income	2.2	4.1	4.6		

Source: U.S. Census 1990 SF1 P080A P107A P114A P117, SF3 H008 H043A H061A, U.S. Census 2000 SF1 P53 P77 P82 P87, SF3 H7 H63 H76, American Community Survey 2005-2009 B19013 B19113 B19301 B17001 B25003 B25064 B25077

Table B-18 compares income, housing value, and gross rent for Oregon in 1990, 2000, and the 2005-2009 period. Between 1990 and 2005-2009, the ratio of housing value/household income doubled from 2.5 to 5.0.

Table B-18. Comparison of income, housing value, and gross rent, Oregon, 1990, 2000, and 2005-2009

Indicator	1989	1999	2005-2009	Change	
				1989 to 1999	1999 to 2005/09
Median HH Income	\$ 27,250	\$ 40,916	\$ 49,033	50%	20%
Median Family Income	\$ 32,336	\$ 48,680	\$ 60,025	51%	23%
Median Owner Value	\$ 66,800	\$ 152,100	\$ 244,200	128%	61%
Median Gross Rent	\$ 408	\$ 620	775	52%	25%
Percent of Units Owned	63%	64%	64%		
Ratio of Housing Value to Income					
Median HH Income	2.5	3.7	5.0		
Median Family Income	2.1	3.1	4.1		

Source: U.S. Census 1990 SF1 P080A P107A P114A P117, SF3 H008 H043A H061A, U.S. Census 2000 SF1 P53 P77 P82 P87, SF3 H7 H63 H76, American Community Survey 2005-2009 B19013 B19113 B19301 B17001 B25003 B25064 B25077

SUMMARY OF KEY HOUSING AFFORDABILITY TRENDS

Newport's housing affordability decreased

- In 2010, a household must earn \$14.60 an hour to afford a two-bedroom rental unit in Newport, an increase of \$5 or nearly 50% from 2000.
- More than one-third of Newport households could not afford a two-bedroom apartment at HUD's fair market rent level of \$759 in the 2005-2009 period.
- Newport had a deficit of nearly 500 affordable housing units for households that earned less than \$25,000.
- About 39% of Newport's households were cost-burdened, with 51% of renters and 30% of owners cost-burdened.

Newport's housing costs increased substantially

- Newport's median housing value doubled between 2000 and the 2005-2009 period. Lincoln County's housing prices increased by 71% over the same period.
- The average sale price for single-family dwellings increased by 47% between 2000 and 2010, from about \$159,000 in 2000 to \$233,000 in 2010. Single-family sales prices peaked in 2007 at an average of nearly \$350,000.
- Condominium sale prices increased 71% between 2000 and 2010.
- Newport had a smaller share of housing valued under \$200,000 than the State, and a larger share of housing valued more than \$400,00 for the 2005-2009 period.
- Rents increased at a slower pace than housing prices, increasing by 14% (\$74) between 2000 and the 2005-2009 period

Housing costs are increasing much faster than rents and incomes.

- Since 2000, median owner value increased 77%, compared to a 31% increase in median household income, and a 14% increase in median rents.
- The ratio of housing value to household income increased from 2.8 in 1989 to 6.3 during the 2005-2009 period. Across the state, the ratio increased from 2.5 to 5.0.

SUMMARY OF GOVERNMENT SUBSIDIZED HOUSING IN NEWPORT

Governmental agencies and nonprofit organizations offer a range of housing assistance to low- and moderate-income households in renting or purchasing a home include:

- **Section 8 voucher system** allows very low-income families (including elderly and disabled) to choose where they want to live by providing rental certificates that limit tenants' rent to 30% of their monthly income. The program is administered by local housing authorities; HUD pays participating landlords the difference between market rent, as determined by HUD, and what the family is able to pay. Qualified Section 8 participants may use their vouchers to pay rent or participate in lease-to-own or homeownership programs.
- **Public housing** is government-provided low cost housing in multi-unit complexes that are available to low-income, mostly elderly or disabled, residents. Managed by local housing authorities, typically

require tenants to pay no more than 30% of their monthly income for rent.

- **HUD landlord subsidies** give funds directly to apartment owners, who lower the rents they charge low-income tenants. Some units are designed for senior citizens or people with disabilities, others for families and individuals.
- **Section 202** provides housing for low-income senior citizens and often includes services such as meals, transportation, and accommodations for the disabled. Programs are sponsored on a complex-by-complex basis by non-profit organizations or consumer cooperatives.
- **Subsidized mortgages programs** are state-sponsored programs that reduce the interest rate for homes purchased within the state to qualified low-income first-time homebuyers. Other programs that offer low interest rate loans include:
 - **Veteran's Affairs loans** are home loans offered to eligible veterans, some military personnel, and certain surviving spouses. The VA can guarantee part of a loan from a private lender, and can issue loans for building, repairing, and improving homes, loans for refinancing existing loans, and special grants for retrofitting a home to accommodate a disability.
 - **Other homeownership assistance** include a variety of down payment assistance programs run by states, counties, cities, business organizations, and non-profit organizations for low-income families. To be eligible the buyer must qualify for a mortgage with a lender, complete a certified home ownership education program and, in most cases, have some money from their own resources as the match for the down payment assistance.

Nonprofit organizations provide a wide variety of housing assistance to low-income households and individuals. Nonprofits provide assistance with renting or purchasing housing, as well as services (such as emergency food, low-cost medical services, or transportation assistance). The types of housing assistance that nonprofits provide vary by community and may include:

- **Homeless shelters/ temporary housing programs** that serve the temporarily or long-term homeless population and may be run by non-profit organizations, churches, or cities.
- **Rentals with services** may serve special low-income populations, such as the disabled, elderly, chronically homeless, or ex-offender

populations, with housing and associated services, such as meals, assistance finding employment, and alcohol or drug treatment programs.

- **Below market rent rentals units** may be developed as part of a city or county's requirement for developers to rent a certain percentage of units in new development at below market rate prices affordable to lower income renters, and are also developed by non-profit organizations. To be eligible to rent these types of units, a household must meet specific income requirements and units rented through these programs may be subject to resale restrictions. It is important to note that by Oregon law this currently is not possible.
- **Lease-to-own programs** allow qualified buyers to select a home and lease it, usually from a non-profit organization, then purchase the home and assume the mortgage at the end of the lease term. These programs often lock in the purchase price when the participant begins the lease, and most only allow the participant to lease the home for a limited time.
- **Sweat equity programs** require the homebuyer's participation in the construction of the housing. The sweat equity and labor contributions by the homebuyers and volunteers significantly reduce the cost of the housing. Sweat equity programs may be run by non-profit organizations such as Habitat for Humanity International, and may be the recipient of HUD SHOP grants, which are provided to national and regional nonprofit organizations that have experience in providing self-help housing to purchase land and make improvements on infrastructure.

The City of Newport has a variety of publicly and privately assisted housing options. As of 2010, the Lincoln County Housing Authority (LCHA) provided 497 vouchers to households throughout the County. The waiting period between application and acceptance into the Section 8 program ranges from one to two years.

Table B-19 lists the assisted housing options currently available in Newport. In 2010, the Lincoln County Housing Authority managed 76 public housing units for families, seniors and persons with disabilities. In addition to its Public Housing facilities, the LCHA owns or operates 100 senior and family housing units through public-private partnerships.

Private and nonprofit housing agencies in the Newport area include: the Community Services Consortium, the Community Development Corporation of Lincoln County, and the Legacy Management Group, LLC. These agencies provide subsidized rental services to low- and moderate-

income households in the Newport area. The Community Services Consortium manages the Tern House – a six-unit transition-housing program for single homeless adults.

Table B-19. Number of Affordable Housing Units, Newport, 2010

Name of Development	Number of affordable units	Population segment served
Yaquina Breeze	9	Low-income families and individuals
Salmon Run	40	Low-income families and individuals
Agate Heights	44	Low-income families and individuals
Newport Apts	52	Low-income families and individuals
Public Housing	76	Low-income families and individuals
Mariner Heights	16	Seniors (62+) and people with disabilities
Big Creek Point Apts	47	Seniors (62+) and people with disabilities
Tern House	6	Single homeless adults

County-wide efforts to address housing affordability issues include:

- **At Home in Lincoln County** is a 10-year housing plan that focuses on chronic homelessness. The plan describes Lincoln County’s housing affordability problems and proposes action steps to end homelessness in Lincoln County. These action steps go beyond issues that can be addressed through land use planning, including outreach to homeless persons and preventing homelessness before it starts.

The actions steps that are directly related to residential land use policies include: (1) preserving and increasing the supply of affordable housing and (2) ensure that housing policies encourage development of affordable housing through.

- Lincoln Community Land Trust is a nonprofit, community-based corporation committed to the stewardship and affordability of land housing and other buildings used for community benefit in perpetuity. The Land Trust does the following: (1) acquires and retails land, (2) offers long-term lease of land for housing users, (3) and other services. The Land Trust is initiating a study of workforce housing needs in the County during 2011, which the City of Newport is participating in.

MANUFACTURED HOME PARK INVENTORY

Manufactured homes are and will be an important source of affordable housing within Newport in the future. They provide a form of homeownership that can be made available to low and moderate income households.

Generally, manufactured homes in parks are owned by the occupants who pay rent for the space. Monthly housing costs are typically lower for a homeowner in a manufactured home park for several reasons, including the fact that property taxes levied on the value of the land are paid by the property owner rather than the manufactured home owner. The value of the manufactured home generally does not appreciate in the way a conventional home would, however. Manufactured home owners in parks are also subject to the mercy of the property owner in terms of rent rates and increases. It is generally not within the means of a manufactured home owner to relocate a manufactured home to escape rent increases. Living in a park is desirable to some because it can provide a more secure community with on-site managers and amenities, such as laundry and recreation facilities.

Cities are required to plan for manufactured homes – both on lots and in parks (ORS 197.475-492). According to the Census, the City had 680 manufactured homes in 1990 and 783 manufactured homes by the 2005-2009 period. According to Census data, 75% of the manufactured homes in the City were owner-occupied in the 2005-2009 period.

Table B-20 shows manufactured home parks in Newport. The City has six manufacture home parks, with 288 spaces. The majority of the parks are for seniors (aged 55 and older).

Table B-20. Manufactured home parks in Newport, 2011

	Park Type	Total Spaces	Vacant Spaces
Eastside Trailer Court	Family	32	0
Harbor Village Mobile Home Park & RV	Age 55+	53	0
Longview Hills MHC	Age 55+	169	2
Mulkey Trailer Park	Age 55+	14	0
Surfside Mobile Village	Age 55+	20	1
Total		288	3

Source: Oregon Manufactured Dwelling Park Directory, Oregon Housing and Community Services

Appendix C National Housing Trends

The overview of national, state, and local housing trends builds from previous work by ECO, Urban Land Institute (ULI) reports, and conclusions from *The State of the Nation's Housing, 2010* report from the Joint Center for Housing Studies of Harvard University. The Harvard report summarizes the national housing outlook for the next decade as follows:

“Even as the worst housing market correction in more than 60 years appeared to turn a corner in 2009, the fallout from sharply lower home prices and high unemployment continued. By year’s end, about one in seven homeowners owed more on their mortgages than their homes were worth, seriously delinquent loans were at record highs, and foreclosures exceeded two million. Meanwhile, the share of households spending more than half their incomes on housing was poised to reach new heights as incomes slid. The strength of job growth is now key to how quickly loan distress subsides and how fully housing markets recover.”

The national housing market continues to suffer from high loan delinquencies and high foreclosure rates. The eventual recovery of the national housing market is dependent on near-term resolution of outstanding foreclosures and long-term job growth and expansion of the economy.

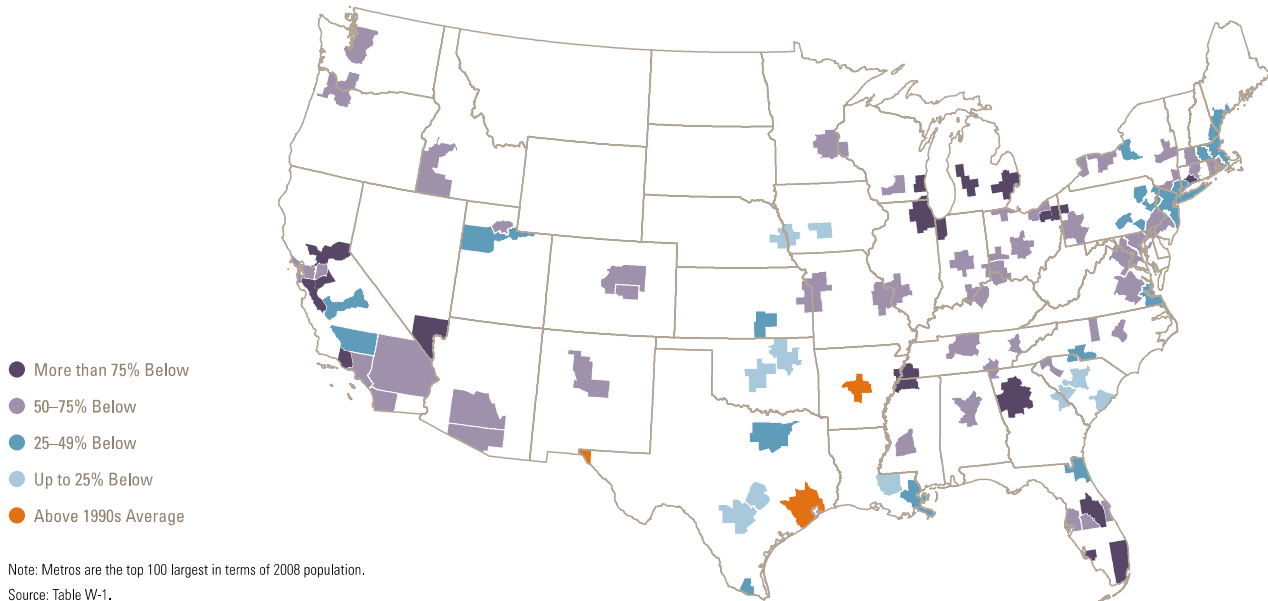
C.1 RECENT TRENDS IN HOME OWNERSHIP AND DEMAND

The last three years saw a continuation of the significant departure from the recent housing boom that had lasted for 13 consecutive years (1992-2005). While strength in early 2005 pushed most national housing indicators into record territory, the market began to soften and sales slowed in many areas in the latter half of 2005. By 2006, higher prices and rising interest rates had a negative impact on market demand. Investor demand, home sales and single-family starts dropped sharply. Growth in national sales prices also slowed. By 2007 and early 2008, housing market problems had reached the rest of the economy, resulting in a nationwide economic slowdown and recession.

Conditions that had previously bolstered the housing market and promoted homeownership weakened in 2005 and eroded further in 2006 and 2007. Increasing interest rates and weakening housing prices combined to slow the housing market. Figure C-5 shows that, using housing permits

issued as a proxy for new home ownership, most major metropolitan areas had lower housing permit activity in 2009 than their average throughout the 1990s.

Figure C-1. Housing permits in 2009 relative to 1990s annual average



Source: The State of The Nation's Housing, 2010, The Joint Center for Housing Studies of Harvard University, p. 7.
<http://www.jchs.harvard.edu/son/index.htm>

From 2000 to 2005 housing starts and manufactured home placements appeared to have been roughly in line with household demand. In 2005, with demand for homes falling but construction coming off record levels, the surplus of both new and existing homes was much higher than in recent years. Between July 2006 and January 2009, the number of new homes for sale fell by 41% and demand dropped even faster and the supply of new homes for sale reached 12.4 months, the highest in U.S. history. This resulted in a strong buyer's market, leaving many homes lingering on the market and forcing many sellers to accept prices lower than what they were expecting. Home sales showed strong growth in 2009 due to falling prices, the federal tax credit, and Federal Reserve activity. This increase was temporary, however, as sales slowed towards the end of 2009 and into 2010. Home sales fluctuated wildly throughout the first eight months of 2010, and the market is currently uncertain.

The Joint Center for Housing Studies predicts the oversupply will eventually balance as housing starts continue to fall, lower prices motivate unforeseen buyers, and the rest of the economy begins to recover. Housing starts are down 28% since 2008 and fell below 500,000 in 2009, compared to

just under 1 million in 2008, 1.5 million in 2007, 1.9 million in 2006, and 2.2 million in 2005.

The Joint Center for Housing Studies concludes that the cooling housing market in 2006 and the foreclosure crisis have had an immediate impact on homeownership. Homeownership peaked at 69.9% in 2005. After 13 successive years of increases, the national homeownership rate slipped in each year from 2005 to 2009 and is currently 67.4%, although the number of homeowners grew from in 2009 for the first time since 2006.

The number of delinquent loans or home foreclosures continues to increase. The share of severely delinquent loans ranged from 5.1% of prime fixed-rate mortgages to 42.5% of subprime adjustable rate mortgages in the first quarter of 2010. Delinquencies and foreclosures are concentrated by state, with more than one-quarter of delinquent loans and more than one-third of loans in foreclosure in California and Florida. Between early 2007 and the first quarter of 2010, 6.1 million foreclosure notices were issued on first-lien loans. In early 2010, the number of loans in the foreclosure process was 2.1 million, which was nearly four times the number of foreclosures in process three years earlier.

Since 2008, foreclosures have contributed to sharp decrease in housing prices, leaving nearly 5 million homeowners underwater on their mortgages (where the value of the house is less than the owner's mortgage). Home prices will have to increase by about 25% before these homes are worth as much as the amount owed on the mortgage.

C.2 LONG RUN TRENDS IN HOME OWNERSHIP AND DEMAND

The long-term market outlook shows that homeownership is still the preferred tenure. While further homeownership gains are likely during the next decade, they are not assured. Additional increases depend, in part, on the effect of foreclosures on potential owner's ability to purchase homes in the future, as well as whether the conditions that have led to homeownership growth can be sustained. The Urban Land Institute forecasts that homeownership will decline to the low 60 percent range by 2015.¹⁰

The Joint Center for Housing Studies indicates that demand for new homes could total as many as 17 million units nationally between 2010 and 2020.

¹⁰John McIlwain, "Housing in America: The Next Decade," Urban Land Institute

The location of these homes may be different than recent trends, which favored lower-density development on the urban fringe and suburban areas. The Urban Land Institute identifies the markets that have the most growth potential are “global gateway, 24-hour markets,” which are primary coastal cities with international airport hubs (e.g., Washington D.C., New York City, or San Francisco). Development in these areas may be nearer city centers, with denser infill types of development.¹¹

The Joint Center for Housing Studies also indicates that demand for higher density housing types exists among certain demographics. They conclude that because of persistent income disparities, as well as the movement of the echo boomers into young adulthood, housing demand may shift away from single-family detached homes toward more affordable multifamily apartments, town homes, and manufactured homes.

C.3 DEMOGRAPHIC TRENDS IN HOME OWNERSHIP

The demographic changes likely to affect the housing market and homeownership are:

- Immigrants and their descendants, who are a faster growing group than other households in the U.S.
- The aging of the baby boomers, the oldest of whom are in their mid-60's in 2010.
- Housing choices of younger baby boomers, who are in their late 40's and early 50's in 2010
- The children of baby boomers, called the echo boomers, who range from their late teens to early 30's in 2010¹²

According to the Joint Center for Housing Studies, immigration will play a key role in accelerating household growth over the next 10 years. Household growth between 2005 and 2009 fell below what would be expected mainly due to a drop in immigration. Immigrants have traditionally comprised a growing share of young adults and children in the United States, but the number of foreign-born households under the age of 35 decreased by 338,400 between March 2007 and March 2009, compared to just 2,100 native-born households. The difficulty in assessing immigration during a recession results in an unclear picture of future housing demand.

¹¹ Urban Land Institute, “2011 Emerging Trends in Real Estate”

¹² Urban Land Institute, “2011 Emerging Trends in Real Estate”

The Joint Center for Housing Studies suggests that an aging population, and of baby boomers in particular, will drive changes in the age distribution of households in all age groups over 55 years. A recent survey of baby boomers showed that more than a quarter plan to relocate into larger homes and 5% plan to move to smaller homes.

The younger baby boomers face challenges resulting from the decrease in housing values, which has left many households with mortgages that are higher than the worth of the house. It may take years for the value of these houses to equal or exceed the value of the mortgage. Second home demand among upper-income homebuyers of all ages also continues to grow, many of whom may be younger baby boomers. The ability to purchase second homes may be negatively affected by diminished earnings and lack of equity in primary homes.

People prefer to remain in their community as they age.¹³ The challenges that seniors face as they age in continuing to live in their community include: changes in healthcare needs, loss of mobility, the difficulty of home maintenance, financial concerns, and increases in property taxes.¹⁴ Not all of these issues can be addressed through housing or land-use policies. Communities can address some of these issues through adopting policies that:

- Diversify housing stock to allow development of smaller, comparatively easily maintained houses in single-family zones, such as single story townhouses, condominiums, and apartments.
- Allow commercial uses in residential zones, such as neighborhood markets.
- Allow a mixture of housing densities and structure types in single-family zones, such as single-family detached, single-family attached, condominiums, and apartments.
- Promote the development of group housing for seniors that are unable or choose not to continue living in a private house. These facilities could include retirement communities for active seniors, assisted living facilities, or nursing homes.
- Design public facilities so that they can be used by seniors with limited mobility. For example, design and maintain sidewalks so that they can be used by people in wheel chairs or using walkers.

¹³ A survey conducted by the AARP indicates that 90% of people 50 years and older want to stay in their current home and community as they age. See <http://www.aarp.org/research>.

¹⁴ "Aging in Place: A toolkit for Local Governments" by M. Scott Ball.

It is unclear what housing choices the echo boomers will make. Some studies suggest that their parents' negative experience in the housing market, with housing values dropping so precipitously and so many foreclosures, will make echo boomers less likely to become homeowners. In addition, high unemployment and underemployment may decrease echo boomers' earning power and ability to save for a down payment. It is not clear, however, that echo boomers' housing preferences will be significantly different from their parents over the long run.

C.4 HOME RENTAL TRENDS

Nationally, the rental market continues to experience growth, adding 3 million rental households from 2005 to 2009. Despite rapid growth in rental households, the rental vacancy rate increased from 9.6% in 2007 to 10% in 2008 and 10.5% in 2009. Rents fell the furthest in the West, particularly San Jose, Seattle, Salt Lake City, Oakland, and Las Vegas.

Over the longer term, the Joint Center for Housing studies expects rental housing demand to grow by 1.8 million households over the next decade. Minorities will be responsible for nearly all of this increased demand. The foreign-born share of renter-occupied households increased from 17.4% in 2000 to 19.6% in 2009 and the number of Hispanic renters has increased from 1.9 million in 1980 to 7.0 million in 2009. Demographics will also play a role. Growth in young adult households will increase demand for moderately priced rentals, in part because echo boomers will reach their mid-20s after 2010. Meanwhile growth among those between the ages of 45 and 64 will lift demand for higher-end rentals. Given current trends in home prices and interest rates, conditions will become increasingly favorable for rental markets in the coming years.

Despite decades of growth, nominal rents have flattened, resulting in the decline of inflation-adjusted rent. Between the peak in late 2008 and April 2010, inflation-adjusted rents fell by 2.9%. Although falling rents show signs of a weak rental housing market, they do help to alleviate pressure on low-income households struggling to pay their rent.

C.5 TRENDS IN HOUSING AFFORDABILITY

House prices have declined since the height of the housing bubble. Between October 2005 and March 2010, the median house price decreased by 26 percent. The price declines were about 50% greater than price declines at the high end of the housing market. The median home sales price dropped

from 4.7 times the median household income in 2005 to 3.4 times median household income in 2009.

Despite widespread falling house prices, affordability problems have not improved significantly. A median-priced single-family home under conventional terms in 2007 (10% down payment and 30-year fixed rate loan) only costs \$76 per month and \$1,000 down payment less than a house bought in 2006, the year in which the sales prices of single-family homes were at their highest real price in history. Only 17 of the 138 National Association of Realtors-covered metropolitan areas have lower costs in 2007 than they did in 2003 when interest rates were bottomed out.

With low-wage jobs increasing and wages for those jobs stagnating, affordability problems will persist even as strong fundamentals lift the trajectory of residential investment. In 2009, more than one-third of American households spent more than 30% of income on housing, and 16% spent upwards of 50%.¹⁵ The number of severely cost-burdened households (spending more than 50% of income on housing) increased by 7.4 million households from 2000 to 2008, to a total of nearly 18 million households in 2008. Nearly 40% of low-income households with one or more full-time workers are severely cost burdened, and nearly 60% of low-income households with one part-time worker are severely cost burdened.

The Joint Center for Housing Studies points to widening income disparities and decreasing federal assistance as two factors exacerbating the lack of affordable housing. While the Harvard report presents a relatively optimistic long-run outlook for housing markets and for homeownership, it points to the significant difficulties low- and moderate-income households face in finding affordable housing, and preserving the affordable units that do exist.

According to the Joint Center for Housing Studies, these statistics understate the true magnitude of the affordability problem because they do not capture the tradeoffs people make to hold down their housing costs. For example, these figures exclude the 2.5 million households that live in crowded or structurally inadequate housing units. They also exclude the growing number of households that move to locations distant from work where they can afford to pay for housing, but must spend more for transportation to work. Among households in the lowest expenditure quartile, those living in affordable housing spend an average of \$100 more on transportation per month than those who are severely housing cost-

¹⁵ 2009 American Community Survey, Table B25091 and Table B25070.

burdened. With total average monthly outlays of only \$1,000, these extra travel costs amount to 10 percent of the entire household budget.

C.6 TRENDS IN HOUSING CHARACTERISTICS

The U.S Bureau of Census Characteristics of New Housing Report presents data that show trends in the characteristics of new housing for the nation, state, and local areas. Several long-term trends in the characteristics of housing are evident from the New Housing Report:

- Larger single-family units on smaller lots. Between 1990 and 2009 the median size of new single-family dwellings increased 12%, from 1,905 sq. ft. to 2,135 sq. ft. nationally and 8% in the western region from 1,985 sq. ft. to 2,140 sq. ft. Moreover, the percentage of units under 1,400 sq. ft. nationally decreased from 16% in 1999 to 13% in 2009. The percentage of units greater than 3,000 sq. ft. increased from 17% in 1999 to 23% of new one-family homes completed in 2009. In addition to larger homes, a move towards smaller lot sizes is seen nationally. Between 1990 and 2009 the percentage of lots under 7,000 sq. ft. increased from 27% of lots to 32% of lots.
- Larger multifamily units. Between 1999 and 2008, the median size of new multiple family dwelling units increased by 10% nationally and 13% in the western region. The percentage of multifamily units with more than 1,200 sq. ft. increased from 28% in 1999 to 41% in 2009 nationally and from 26% to 45% in the western region.
- More household amenities. Between 1990 and 2009 the percentage of single-family units built with amenities such as central air conditioning, fireplaces, 2 or more car garages, or 2 or more baths all increased. The same trend in increased amenities is seen in multiple family units.

Over the last two years, the trend towards larger units with more amenities declined. Between 2007 and 2009, the median size of new single-family units has decreased by 6% nationally to 2,227 square feet. The western region has also seen a 6% decrease in median size of new single-family units, to a median of 2,286 square feet. In addition, the share of new units with amenities (e.g., central air conditioning, fireplaces, 2 or more car garages, or 2 or more bath) all decreased by a percentage or two.

It is unclear if these changes in unit size and amenities signal a long-term change in demand for housing or if these changes are the a response to the

current housing market turmoil. Numerous articles and national studies suggest that these changes may indicate a long-term change in the housing market, resulting from a combination of increased demand for rental units because of demographic changes (e.g., the aging of the baby boomers, new immigrants, and the echo-boomers), as well as changes in personal finance and availability of mortgages.¹⁶

These studies may be correct and the housing market may be in the process of a long-term change. On the other hand, long-term demand for housing may not be substantially affected by the current housing market. The echo-boomers and new immigrants may choose single-family detached housing and mortgages may become easier to obtain.

Studies and data analysis have shown a clear linkage between demographic characteristics and housing choice. This is more typically referred to as the linkage between life-cycle and housing choice and is documented in detail in several publications. Analysis of data from the Public Use Microsample (PUMS) in the 2000 Census helps to describe the relationship between selected demographic characteristics and housing choice. Key relationships identified through this data include:

- Homeownership rates increase as income increases;
- Homeownership rates increase as age increases;
- Choice of single-family detached housing types increases as income increases;
- Renters are much more likely to choose multiple family housing types than single-family; and
- Income is a stronger determinate of tenure and housing type choice for all age categories.

¹⁶ These studies include “Hope for Housing?” by Greg Filsram in the October 2010 issue of Planning and “The Elusive Small-House Utopia” by Andrew Rice in the New York Times on October 15, 2010.

Appendix D Interview Summary

At direction of City staff, ECONorthwest conducted interviews with nine local stakeholders who are knowledgeable about housing and related issues in Newport. The interviews focused on questions about unmet housing needs, opportunities and barriers to building workforce housing, and potential policies or actions that the City could take to better provide opportunities for and promote the development of affordable housing. The people interviewed were:

- Benjamin Baggett, Lincoln Community Land Trust
- Bonnie Saxton, Advantage Real Estate
- Bonnie Serkin, Landwaves, Inc.
- Don Huster, The Woodside Group
- Joanne Troy, Housing Authority of Lincoln County
- Larry Henson, Longview Hills Manufactured Housing Community
- Lee Hardy, Yaquina Bay Property Management
- Lorna Davis, Greater Newport Chamber of Commerce
- Rick Wright, S&W Real Estate

This appendix presents a summary of the themes from the interviews, based on the opinions and ideas of the people interviewed.

NEWPORT HAS SUBSTANTIAL NEED FOR MODERATELY-PRICED WORKFORCE HOUSING

The largest unmet need in Newport is housing under \$250,000. Many homes in Newport are 2nd or 3rd homes of households within a high-income bracket. The people that live year-round in Newport primarily work in service-related jobs, with lower pay rates. One person articulated the problem as “the second home buyers priced out the locals.”

Local households looking for affordable housing are primarily younger people trying to find a smaller, moderately priced home with a full size garage. Several respondents mentioned three teachers the Newport hired in the past. After a summer of looking for housing, the teachers quit before even starting the school year because they could not find housing they could afford. Other respondents mentioned that children and grandchildren of long-time residents are now on the market for housing. Many of these younger generations have to expand their search to surrounding communities because Newport does not have housing they

can afford. One interviewee noted that the community college campus in Newport has no affordable housing for students attending the college.

NEWPORT'S AFFORDABLE HOUSING STOCK DOES NOT MEET THE PREFERENCES OF RESIDENTS OR POTENTIAL RESIDENTS

The current housing stock does not match the preferences of the consumer. Newport's housing stock is old and over-priced, with high maintenance costs. According to one interviewee, there is a disconnect between the current cost of housing and the actual rent you can get from it. There are plenty of apartments on the market, but families do not want to live in them. There are no new subdivisions or multi-dwelling in the moderate price range, and a large majority of new construction is for the second and third vacation home market. There are bedroom communities around the county, but gas prices make it difficult to commute in to Newport.

For affordable housing, the Lincoln County Housing Authority has not increased payment limits for the voucher program, meaning there is no pressure on lack of physical structures. It is the preferences of the families, and the pressure on their ability to pay, that has created a waiting list of 1.5 to 2 years for small units.

What people want is a smaller, moderately priced home with a full size garage. People want a freestanding house that does not require extensive renovation. One interviewee noted that "most people still dream of a quarter acre lot and a full-size garage."

The poor economy has created a noticeable decrease in the size of housing people are seeking, but a full-sized garage remains a priority for homebuyers. The family of one interviewee looked for housing in Newport for six months and found a 45-50 year, 1,200 square foot home for \$350,000. The size was not the issue for them, but the price per square foot was out of their range. They moved to a town outside of Newport. Retiring residents, and residents moving in from the Willamette Valley are still demanding three-bedroom, two-bath homes.

There is a healthy demand for multi-family housing, but only for units that are well managed, and well constructed. This is not necessarily the status of Newport's current multi-family supply.

AFFORDABLE AND WORKFORCE HOUSING IS DIFFICULT TO PRODUCE IN NEWPORT

Most respondents do not think the current market is conducive to workforce housing. Two years ago, the city needed more development. Now it's the opposite – the city needs to create more jobs to fill the housing.

One interviewee has not seen a developer build affordable housing in the 25 years she has lived there. She observed that developers start out saying the units will be affordable, but by lease-up time, they no longer are. Another interviewee suggested that what the city needs more than subsidized housing is a local livable purchase price and a livable wage to pay for it.

The “mindset” of Newport residents - and rural communities in general - reduces the desire to live in multi-family or workforce housing. The urban models of what affordable housing looks like is not what Newport residents want. Residents assume that apartments do not provide a play environment for children, that walls are thin and poorly insulated, and that construction is sub-standard “projects” quality. According to one interviewee, the key is to make it not look like apartments. There is a mindset change that needs to happen, but until then, the city and developers must accommodate for the single-family preference of buyers.

When the Housing Authority of Lincoln County built the low income Stair Garden community in Yachats, the market study showed demand for forty units. The Housing Authority only built 25 units because there were no high density multi-family structures in the city. It was a housing type the population wasn’t used to. The city still had difficulty filling the reduced number of units. They ended up importing retirees from the Willamette Valley that wanted to live on the beach.

The main barrier to building affordable housing is land cost. Unstable geology drives up land prices. Newport’s buildable land is not flat, and the infrastructure costs to these sites are going up. If the site has a view of the ocean, the land cost increases even more. Other barriers include poor lending opportunities. Lending institutions are not in the market to finance housing construction when nobody is in the market to buy. According to Joanne Troy, the only mechanism that exists for new construction right now is the tax credit program. This program is in the water since the lending opportunities have dried up.

Zoning is not seen as a barrier to housing development. Many respondents praised the City of Newport for its flexibility to accommodate zoning. The more pressing obstacle is people who do not want the development in their back yard.

THE CITY CAN MAKE POLICY CHANGES THAT MAY PROVIDE BETTER OPPORTUNITIES FOR DEVELOPMENT OF AFFORDABLE HOUSING

The general consensus is that the City of Newport is already extremely accommodating and helpful towards development. They go out of their way to work with zoning, and the permit process is quick. Suggestions for what the city could do to promote housing and bring development include:

- A land assessment of what is actually available
- Offer property tax breaks for ten years in exchange for a formula to lower rents.
- Provide 99-year leases for a dollar for city- and county-owned land. When you take the land price out of the equation, workforce housing becomes more feasible.
- Permit fee waivers to houses that are a smaller size.
- Provide (or help secure) financing for first time home buyers.
- Use the toolbox created by the End Homelessness committee for Bill Hall's office. This toolbox laid out a menu of options that exist for affordable housing – density incentives, zone relaxation, etc.
- Education outreach to the community about the many options of affordable housing, and the pros of having it in the community.
- Stricter code enforcement. This would help combat the classic complaints of substandard market housing. Private landlords elect to stop maintaining their properties, lower their screening process and rents, and then consider themselves affordable housing.
- Stop giving tax breaks to developers – they should be self-sufficient from the outset. Immediate market response is more appropriate. The developer should have to pay for water and sewer lines.
- Don't provide subsidized housing. Instead attract a population that will pay property taxes and can support the cost of the structure.
- Keep public transportation in mind.
- Look at the zoning code again. There are a number of subdivisions that are in multi-family zoning. The city doesn't enforce it, but the homeowners association restricts building to single-family.
- Take single wide manufactured homes into consideration again. Most cities are doing their best to remove these homes.
- Work with the Land Trust to help reduce land costs.

This appendix presents additional technical information necessary to document the housing needs analysis. It includes the following information:

- Memorandum describing the population forecast for Newport

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January 24, 2011

TO: Derrick Tokos

FROM: Bob Parker and Beth Goodman

SUBJECT: NEWPORT POPULATION FORECAST: 2011 TO 2031

The City of Newport contracted with ECONorthwest (ECO) to conduct a housing needs analysis and buildable land study. Oregon's planning system requires cities to plan for needed housing to accommodate population growth in urban growth boundaries (ORS 197.295 – 197.296). A foundational part of a housing needs analysis is a forecast of population growth over the 20-year planning period.

Counties are required to coordinate population forecasts among the cities and unincorporated areas within the County (ORS 195.036). Lincoln County does not have a coordinated, adopted population forecast for the cities within the County. Newport does not have an adopted population forecast. As a result, Newport will need to develop and adopt a population forecast for the urban growth boundary (UGB).

OAR 660-024 provides "safe harbor" approaches for forecasting population in cities that do not have a coordinated, adopted population forecast. A city may adopt a 20-year population forecast based on the Oregon Office of Economic Analysis's (OEA) population forecast for the County, assuming that the urban area's share of the forecast population will remain constant over the planning period (OAR 660-024-0030(4)(b)).

Table 1 shows the OEA's forecast for population between 2000 and 2030 in Lincoln County. The forecast projects that Lincoln County's population will grow from nearly 47,000 people in 2010 to about 53,700 people in 2030, an increase of 6,765 people or 14% over the 20-year period.

**Table 1. Population forecast,
Lincoln County, 2000 to 2030**

Year	Lincoln County
2000	44,600
2010	46,945
2011	47,306
2030	53,710
2031	54,051
Change 2010 to 2030	
Number	6,765
Percent	14%
AAGR	0.68%
Change 2020 to 2030	
Number	3,331
Percent	7%
AAGR	0.64%

Source: Oregon Office of Economic Analysis;
Calculations by ECONorthwest

Note: Population for 2011 and 2031 was
extrapolated based on the growth rates used
between 2010-2015 (for 2011) and 2030-2035 (for 2031).

Note: AAGR is average annual growth rate

Newport's 2010 population accounted for 23.8% of Lincoln County's population, based on the Portland State University Population Research Center's estimate of population in 2010 (Supplemental Data, Table 4). Table 2 shows a population forecast for Newport for the 2011 to 2031 period based on the assumption that Newport continues to account for 23.8% of Lincoln County's population over the 20-year period. Table 2 shows that Newport's population would grow by about 1,600 people over the 20-year period.

**Table 2. Population forecast,
Newport, 2011 to 2031**

Year	Lincoln County (OEA)	Newport
2011	47,306	11,243
2031	54,051	12,846
Change 2011 to 2031		
Number	6,745	1,603
Percent	14%	14%
AAGR	0.7%	0.7%

Source: ECONorthwest, based on the Office of Economic
Analysis forecast for Lincoln County

Note: Population for 2011 and 2031 was extrapolated based on the growth rates used between 2010-2015 (for 2011) and 2030-2035 (for 2031).
Note: AAGR is average annual growth rate

Other forecasts of growth for Newport are possible, based on different assumptions about population growth in Newport. Table 3 shows two alternative population forecasts for Newport for the 2011 to 2031 period.

- **Water Facilities Forecast.** Newport's Comprehensive Plan includes the Water Supply Facilities forecast for population growth (see Supplemental Data Table 5), which projects that population in the UGB will grow by more than 3,000 people over the 20-year period, at an average annual growth rate of 1.3%. The Water Facilities forecast shows about 1,422 more people in Newport by 2031 than the safe harbor forecast.
- **Transportation System Plan.** Newport's Transportation System Plan Update (July 2009), shows population growing at 0.9% average annual growth rate, adding nearly 2,000 people over the 2006 to 2026 period. If the forecast was extrapolated 2031 (at the same growth rate), population in Newport would be 12,777 people. The Transportation System Plan forecast shows about 69 fewer people in Newport by 2031 than the safe harbor forecast.
- **Historical Growth Rate.** Newport grew from about 8,400 people in 1990 to 10,600 people in 2010, an increase of nearly 2,200 people (26%) at an average annual growth rate of 1.2%. Assuming that Newport grew at the same rate over the next 20-years, Newport would add more than 2,700 new people by 2031. The historical growth rate forecast shows about 637 more people in Newport by 2031 than the safe harbor forecast.

**Table 3. Alternative population forecasts,
Newport, 2011 to 2031**

Year	Water Facilities Forecast	Transportation System Plan	Historical Growth Rate (1.2%)
2006	NA	10,240	NA
2011	11,129	NA	10,727
2026	NA	12,224	NA
2031	14,268	12,777	13,483
Change over 20 year period			
Number	3,139	1,984	2,756
Percent	28%	19%	26%
AAGR	1.3%	0.9%	1.2%

Source: ECONorthwest, based on Newport Comprehensive Plan: Water Supply Facilities, Newport TSP Update (July 10, 2009), and historical growth in Newport

Note: The Transportation System Plan forecast for 2031 was extrapolated from the 2006-2026 forecast, assuming 0.9% growth over the five year period.

Note: AAGR is average annual growth rate

The forecasts in Tables 2 and 3 show a range of potential growth in Newport, from 1,600 new people to about 3,000 new people over the 20-year period. ECONorthwest recommends using the safe harbor approach for forecasting population growth, which is the least risky alternative for developing a population forecast for the City. The population forecast will need to be adopted by both the City and Lincoln County for use in the housing needs analysis.

SUPPLEMENTAL DATA

This section presents supplemental data about population growth in Lincoln County and Newport, as well as the population forecast from Newport's Water Supply Facility plan.

Table 4. Annual Population Growth, Lincoln County and Newport, 1990 to 2010

Year	Lincoln County	Newport	Newport's Share of County Pop.
1990	38,889	8,437	21.7%
1991	39,880	8,540	21.4%
1992	40,730	8,675	21.3%
1993	41,900	8,885	21.2%
1994	42,940	9,075	21.1%
1995	43,940	9,495	21.6%
1996	44,500	9,785	22.0%
1997	45,050	9,960	22.1%
1998	44,840	10,240	22.8%
1999	44,500	10,290	23.1%
2000	44,479	9,532	21.4%
2001	44,650	9,660	21.6%
2002	44,700	9,650	21.6%
2003	45,000	9,740	21.6%
2004	44,400	9,760	22.0%
2005	44,405	9,925	22.4%
2006	44,520	10,240	23.0%
2007	44,630	10,455	23.4%
2008	44,713	10,580	23.7%
2009	44,700	10,600	23.7%
2010	44,620	10,605	23.8%
Change 1990 to 2010			
Number	5,731	2,168	
Percent	15%	26%	
AAGR	0.7%	1.2%	
Change 1990 to 2010			
Number	5,731	2,168	
Percent	15%	26%	
AAGR	0.7%	1.2%	
Change 2000 to 2010			
Number	141	1,073	
Percent	0%	11%	
AAGR	0.0%	1.1%	

Source: Portland State University Population Research Center;
Calculations by ECONorthwest

Table 5. Water Supply Facilities Forecast of Population Growth, Newport, 2007 to 2030

Year	Inside City Limits	Outside City Limits,	
		City Limits, Inside UGB	Total
2007	10,455		10,455
2010	10,852	140	10,992
2011			11,129
2015	11,547	149	11,696
2020	12,287	159	12,446
2025	13,075	169	13,243
2030	13,913	179	14,092
2031			14,268
Change 2007 to 2030			
Number	3,458		3,637
Percent	33%		35%
AAGR	1.25%		1.31%
Change 2010 to 2030			
Number	3,061	39	3,100
Percent	28%	28%	28%
AAGR	1.25%	1.24%	1.25%

Source: Newport Comprehensive Plan: Water Supply Facilities, Page 142, Table 1;

Calculations by ECONorthwest

Note: Population for 2011 and 2031 was extrapolated based on the growth rates used between 2010-2015 (for 2011) and 2025-2030 (for 2031).

Appendix F **Buildable Land Inventory Maps**

This appendix presents buildable land maps that complement Chapter 2. This appendix includes the following maps that were developed as part of the residential buildable lands inventory:

- Series 1: LandClassificationTileX shows land classifications to complement Table 2-3.
- Series 2: VacPtVacPlanDesTileX shows land that is classified as vacant or partially vacant (land with development capacity)
- Series 3: VacPtVacPlanDesConstTileX shows land that is classified as vacant or partially vacant (land with development capacity) with development constraints
- Series 4: VacPtVacPlanDesSlopeTileX shows land that is classified as vacant or partially vacant with slope overlays